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# About This Report

As part of our commitment to excellence, we present an abridged version of Qalaa Holdings' first Sustainability Report. Managing a sustainable company not only ensures business continuity but also yields a positive impact both on the economy and on society at large. Qalaa Holdings has taken active steps to establish itself and its partner companies as sustainable businesses. Accordingly, Qalaa Holdings has pledged to disclose its business performance in terms of sustainability practice, which is the purpose of this report.

This report covers our activities during the period from 2013 to 2014. We view this reporting exercise as an opportunity to identify any weaknesses we may have, and build on our strengths. Furthermore, we believe that this report encapsulates our stance as transparent players in the regional market, whose stakeholders' wellbeing is an integral factor in how we do business. Shifting our focus to energy and infrastructure is – in fact – an indicator of the kind of role we hold ourselves responsible for in the market.

This full version of this report was prepared according to GRI G3.1 Guidelines, at Application Level A. It was submitted for the GRI Application Level Service, and GRI has confirmed that the report was prepared according to the GRI G3.1 Guidelines, at Application Level A.

## Scope and Data

The scope of this report is limited to Qalaa Holdings' core sectors, in addition to our microfinance arm, Tanmeyah. The report does not address the practices of our other non-core industries, our suppliers or outsourced operations, on which we have little influence at the moment. We hope to be able to extend our reporting capacity to include all of our subsidiaries within our next sustainability report.

While we have made a great leap in adopting best sustainability practice by issuing this report, like most companies, we were only able to report partially on some of the GRI indicators. Indicators that we have partially reported on are noted in a disclosure table listed at

the end of this report. We plan on working towards systematically reporting on these indicators by our next reporting cycle.

## Materiality and Level Requirements

The full version of this report was developed to meet GRI Level A's disclosure requirements. The disclosure level requires a company to report on all GRI profile indicators in addition to reporting fully on all core performance indicators, or to disclose criteria for omission. We conducted a materiality exercise as per the GRI's methodology to decide on our disclosures. The materiality exercise was based on our current management control of core subsidiaries and their relevant social, economic and environmental impact. We also prioritized our areas of reporting based on our core stakeholder groups, namely our shareholders, employees, clients and end consumers, government counterparts, civil society, international organizations and local surrounding communities.

The results of this exercise meant that we identified key material areas of our direct and indirect economic impact, the environmental footprint of our core industries and the social footprint of our own operations in terms of labor and human rights, as well as social investment programs. All of these issues are addressed in the report, and will be used by our governance body and senior management to enhance our commitment to the adoption of sustainability. The full version of the report will also be widely disseminated to other stakeholders, allowing them to better understand our sustainability strategies and to provide feedback as needed.

### FOR MORE INFORMATION PLEASE CONTACT:

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*Commuters at Nairobi train station*



# Letter From the Chairman

## Dear Stakeholders,

We are proud to share with you Qalaa Holdings' first Sustainability Review, a document that we hope will serve as a way to engage each and every one of you on an even deeper level within our company's overall strategy and vision. Since our inception as Citadel Capital, we have always been committed to building an institution that is wedded to principles of sustainability, inclusivity, stewardship and innovation. Although we have grown, evolved and changed structurally since those early days, we have always held our principles close – and our responsibilities as a corporate citizen even closer.

As Albert Einstein once said, "Problems cannot be solved at the same level of awareness that created them." At Qalaa Holdings we are fully aware that opportunities in the Middle East and Africa exist alongside paramount challenges and thus we have chosen a path of foresight by betting on the sectors and industries that have a direct impact on the livelihood of the general public and which represent some of the biggest challenges that our region faces. This is demonstrated through our investments in the energy sector in Egypt, the cement sector in Egypt, Sudan and Algeria and the transportation and logistics sector in Kenya and Uganda.

Some concrete examples of how we choose to be a part of the bigger solution to Africa's challenges include:

- The Egyptian Refining Company (ERC), our USD 3.7 billion greenfield refinery, which will have the capacity to produce 4.2 million tons of refined products per year, including 2.3 million tons of Euro V diesel, representing more than 50% of Egypt's current imports.
- Tawazon, our subsidiary for investment in the regional solid waste management industry, which provides biomass and RDF as alternative fuels to heavy-energy consumers such as cement factories.
- Mashreq, which is working to develop a one-of-a-kind fuel bunkering facility in East Port Said near the strategically important entrance to the Suez Canal. The project is expected to not only help attract global companies and large shipping lines to operate at the port but also will help ease the nation's shortage of refined products by facilitating imports.
- Tanmeyah, which provides microfinance loans to small businesses in Egypt and offers financial solutions to those segments of the population who previously had no access to these services.

We believe that sustainable economic growth cannot be achieved without a proper system of education, which is why the cornerstone of our responsible investing program is education and human capital development. To that end, Qalaa Holdings upholds a social mission to support the development of the Middle East and Africa's human talent. We provide constant training and upgrading within our own workforce (32,000 employees) and also offer financial assistance to Egypt's brightest youth to study at the world's top universities. Furthermore, we provide training through Rift Valley Railways' management training program in Kenya and Uganda and ERC's vocational training program in Egypt. However, we still believe that there is much more to be done to develop human talent through education. Qalaa Holdings will continue to provide new educational opportunities and support for the youth of our region. We will be investing in people at an even more aggressive pace because people are, after all, our future.

As part of our expansive corporate social responsibility program, Qalaa Holdings has provided close to EGP 400 million in funding across a spectrum of projects since inception.

On behalf of our management, staff and shareholders, I would like to thank you for your continued support in helping Qalaa Holdings achieve its mission, and we would like to assure you of our continued commitment towards creating inclusive growth while abiding by the highest forms of ethical business practice, as set out in our commitment as members of the United Nations Global Compact Network (UNGC).

Best Regards,

**Ahmed Heikal,**  
*Chairman and Founder, Qalaa Holdings*

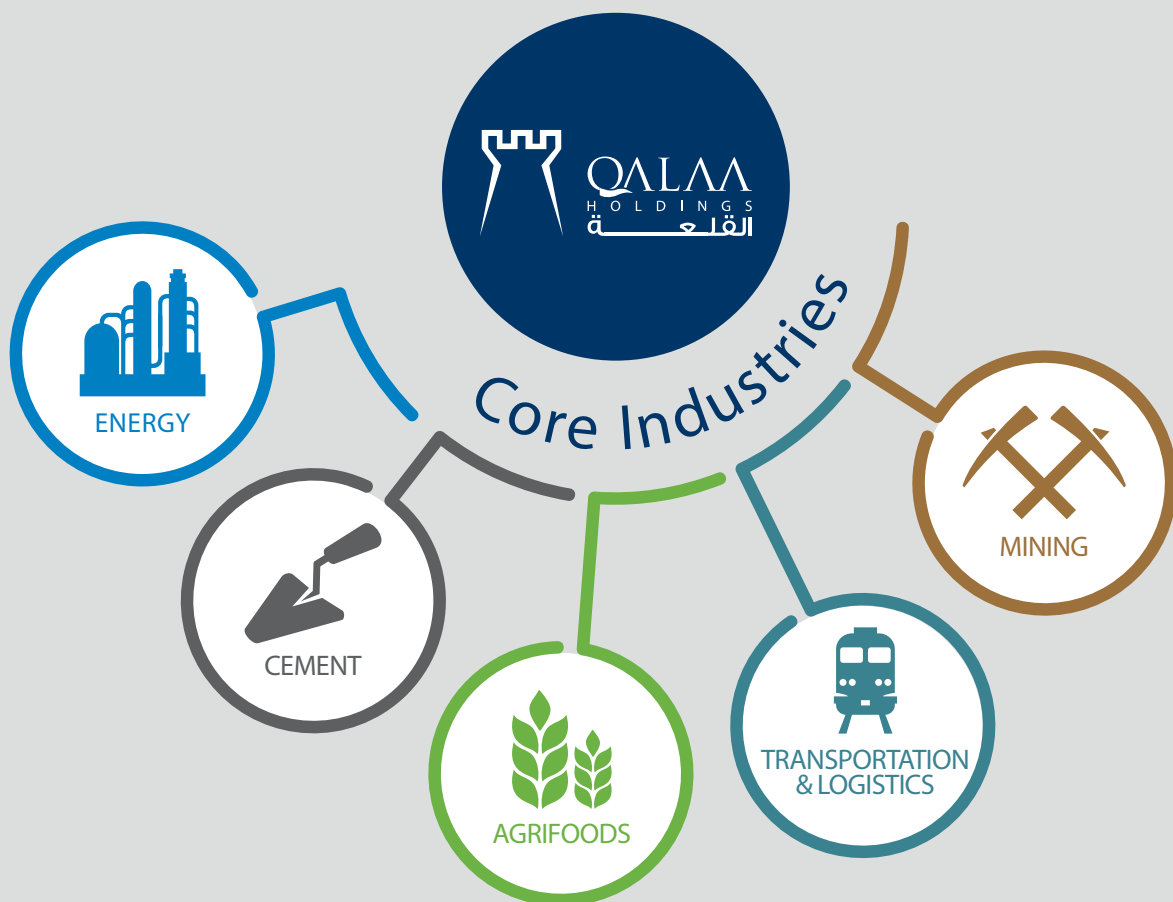
*From left to right: Qalaa Holdings Co-Founder and Managing Director Hisham El-Khazindar, Chairman and Founder Ahmed Heikal, and Managing Director, Karim Sadek*



# About Qalaa Holdings

## Guided by an Entrepreneurial Spirit

Qalaa Holdings is the leading investment company in Africa and the Middle East. We build businesses in core industries that will define our region's future. The 32,000 employees of our core subsidiaries and other investments work each day to deliver energy to consumers and businesses alike; to provide reliable, fuel-efficient transportation solutions; to grow or manufacture safe, healthy food; to add value to natural resources and to help build critical national infrastructure. We prize innovation, value creation and sustainability in all of our investments. Drawing on our roots as Africa's largest private equity firm, we have worked since 2004 to build world-class businesses that cater to the needs of the more than 1.3 billion consumers across our footprint in Egypt, East Africa and North Africa. We bring to the table the passion of entrepreneurs, the proven systems of world-class finance professionals and deep operational expertise in each of our industries: Energy, Cement, Agrifoods, Transportation & Logistics and Mining. In a few short decades, Africa and the Middle East will be home to the world's largest working-age population. Today, seven of the world's ten fastest-growing nations are on our continent, which is now home to more than a billion consumers. The businesses we build in our core industries are regional champions that will serve as engines of national growth in the exciting years to come, creating jobs and helping make our economies more efficient, more sustainable and more globally competitive.





Qalaa Holdings has investments in multiple companies, including core and non-core industries, as shown below.

Sector	Subsidiary
Energy	<ul style="list-style-type: none"> <li>- TAQA Arabia               <ul style="list-style-type: none"> <li>• TAQA Power</li> <li>• TAQA Marketing</li> </ul> </li> <li>- Tawazon               <ul style="list-style-type: none"> <li>• ECARU</li> <li>• ENTAG</li> </ul> </li> <li>- Egyptian Refining Company(ERC)</li> <li>- Mashreq</li> </ul>
Cement	<ul style="list-style-type: none"> <li>- ASEC Holding               <ul style="list-style-type: none"> <li>• ASEC Cement</li> <li>• ASEC Engineering</li> <li>• ASENPRO</li> <li>• ARESCO</li> <li>• ASEC Automation</li> </ul> </li> </ul>
Agrifoods	<ul style="list-style-type: none"> <li>- Gozour               <ul style="list-style-type: none"> <li>• Dina Farms</li> <li>• Rashidi El--Mizan</li> </ul> </li> <li>- Wafra               <ul style="list-style-type: none"> <li>• Sabina</li> <li>• Concord Agriculture</li> </ul> </li> </ul>
Transportation & Logistics	<ul style="list-style-type: none"> <li>- Nile Logistics               <ul style="list-style-type: none"> <li>• Nile Cargo</li> <li>• National River Ports Management Company</li> <li>• Nile barges</li> <li>• Ostool Trucking Company</li> </ul> </li> <li>- Africa Railway</li> </ul>
Mining	<ul style="list-style-type: none"> <li>- ASCOM               <ul style="list-style-type: none"> <li>• ASCOM Carbonate and Chemical Manufacturing (ACCM)</li> </ul> </li> </ul>
Microfinance	<ul style="list-style-type: none"> <li>- Tanmeyah</li> </ul>

Qalaa Holdings has investments in multiple companies, including core and non-core industries, as shown below.

Core Industries	Non-core Companies
<ul style="list-style-type: none"> <li>- Energy</li> <li>- Cement</li> <li>- Agrifoods</li> <li>- Transportation &amp; Logistics</li> <li>- Mining</li> </ul>	<ul style="list-style-type: none"> <li>- Glassworks</li> <li>- United Foundries Company</li> <li>- Finance Unlimited</li> <li>- Grandview</li> <li>- Bonyan</li> <li>- National Petroleum Company</li> <li>- Nile Valley Petroleum Limited</li> <li>- NOPC Rally Energy Group</li> <li>- Tanweer</li> </ul>

For the purposes of this report, we will only address our core industries in addition to our microfinance arm, Tanmeyah, as they represent the bulk of our impact, economically, socially and environmentally.

# Creating Inclusive Growth



*Qalaa Holdings' involvement in a diverse array of sectors, ranging from industry to infrastructure, has had a significant impact on the economics of the region. Our operations in critical sectors like energy, cement, agrifoods, transportation and logistics and mining, not only support national economies and encourage the investment climate, but they also have a demonstrable impact*

*on local communities by supporting job creation, and by meeting the demand for critical products and services. While we continue to explore new avenues of growth, we recognize that the successful and responsible operation of our businesses contributes not only to our own growth and sustainability but to that of the countries, economies and communities we engage.*



# 10 Years of Investing Responsibly in Africa

138 Scholarships

awarded to Egyptian students for graduate studies abroad by Qalaa Holdings Scholarship Foundation



90%

decrease in the number of injuries to workers on duty in Rift Valley Railways' Nairobi production workshops



318,000 tons

agricultural waste collected and processed in FY14 by solid waste management company

Tawazon

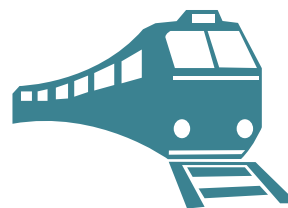


915

welders, electricians, and pipe-fitters trained by the Egyptian Refining Company as part of a vocational education initiative

USD 30,000

donated annually to the Qalaa Holdings Financial Services Center (QHFSC) at the American University in Cairo

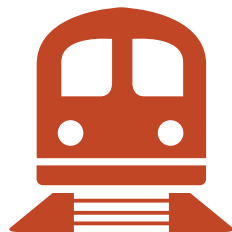


38

Rift Valley Railways drivers graduate after successfully completing an 18-month driving course in Kenya and Uganda.

63%

reduction in total incidents at Rift Valley Railways as a result of enhanced safety and reliability of service



30%

reduction in the total amount of SO2 emissions as a result of cleaner Euro V diesel supplied by the Egyptian Refining Company

**EGP 2 mn**   
contributed by cement subsidiary ASEC Cement to the **UN's World Food Program** in support of a school meals project in Minya, Egypt

**USD 100,000**   
**contributed** by Africa Railways to a program that trains local residents in Kenya and Uganda in **management and entrepreneurship**


**13,000 feddans** cultivated by local farmers in Sudan as a result of **200 km** of irrigation canals built by Wafra

 **32,000**  
Total number of **employees** at Qalaa Holdings

**6,000**   
community members were positively impacted in Kenya as a result of Rift Valley Railways' management and skills training program

 **USD 60 mn** **contributed** to community development programs since 2004

**USD 100,000**  
ERC's budget for refurbishing hospitals in Matariya and Mostorod. The project is expected to impact more than **700,000** community members

 **2,000** jobs created as a result of Rift Valley Railways' "Transforming Lives in Africa with Every Move" management trainee project in **Kenya**

# Management Approach

*Managing a holding company as large as Qalaa Holdings necessitates a unique approach to the management of both the holding company and its different subsidiaries. Due to the uniqueness of each of the sectors, Qalaa Holdings has always sought a*

*comprehensive management approach that is designed to meet the needs of each subsidiary's nature and operations. Our management approach addresses the different components of our operations' impact as summarized in the below table:*

Performance Area	Approach
<b>Economic</b>	Our approach prioritizes efficiency and shared value creation, and thus ensures maximal value creation for both our shareholders and the countries we operate in.
<b>Social</b>	Our corporate foundation continues to guarantee excelling Egyptian students the world class education they deserve. In parallel, our core industries' social investment programs support an array of pressing development challenges including education, food security and employability.
<b>Labor</b>	We realize that our workforce is our core asset. Our current processes and procedures ensure the rights of our workforce across core and non-core industries. We are currently working on mainstreaming best practices related to ensuring the health and safety of our employees, and investing in their continuous growth and development.
<b>Human Rights</b>	We have pioneered a commitment to a minimum living wage for all of our employees, and one that goes beyond local regulatory frameworks. We continue to be committed to ensuring our workers dignified wages, and our zero tolerance policies for child and forced labor.
<b>Environmental Footprint</b>	Core to our mandate is ensuring a sustainable and diversified and thus sustainable energy mix across the markets we operate in. We are currently collecting core indicators about our environmental footprint, and will continue to expand our data-collection and monitoring efforts to cover all relevant indicators, monitor and reduce our footprint.
<b>Product &amp; Client Responsibility</b>	We continuously strive to streamline our quality, health and safety procedures with international best practices. Best international standards related to product quality and consumer health and safety are currently streamlined across relevant subsidiary companies.





# Energy Sector



Our decision to invest in energy derives from the current imbalance between supply and demand in the energy sector. With the rising increase in the demand for energy in the region and the inability of markets to supply in accordance with that demand, Qalaa Holdings has been focused on investing in the energy sector. Growing our investments in the energy sector allows us to positively impact a diverse range of stakeholders including: the government, the private sector and the average citizen. It also enables us to influence public policy by advocating for and actively supporting a sustainability agenda.

Our investment in the energy sector can be divided into two main areas of focus: the production and distribution of energy. Our investments range from upstream, midstream and downstream energy solutions, to refined petroleum products. To absorb the impact of the energy crisis that escalated regionally over the past few years, we have been advocates of resorting to alternative sources of clean energy. Qalaa's subsidiaries in the energy sector are: **TAQA Arabia, Tawazon, Egyptian Refinery Company** and **Mashreq**. Together, these companies cover energy creation; energy distribution; fuel marketing; solid waste management; refining and development of fuel bunkering facilities. Divided amongst different subsidiary companies, Qalaa Holdings' energy investments are responsible for the production of 880 MW Contracted Generation Distribution and Operation & Maintenance Capacity, 4.8 BCM/YR Gas and Compressed Natural Gas (CNG) Distribution as well as connecting 16% of Egyptian households to the gas network.

In light of the above, Qalaa Holdings has been a thought leader on issues concerning the imminent energy crisis in the region and energy subsidy reform in Egypt. We view the energy market as an integrated ecosystem that cannot be broken down. Qalaa Holdings is willing to integrate - under strict environmental protection regulations - the use of coal as a source of energy, noting that Egypt is moving towards a free energy market to cope with the overall energy crisis. However, to counter the potential negative effects of the use of coal on the environment, we are actively pursuing the use of different forms of energy, including alternative fuel. Accordingly, Qalaa Holdings has invested in Tawazon, a regional enterprise working to transform recycled waste into alternative fuel. Furthermore, Qalaa Holdings operates some of its cement subsidiaries with biomass and supplies biomass to other plants and facilities as well. Finally, all of our operations adhere to the standards of emissions set forth in Environment Law number 4 for the year 1994.

## TAQA Arabia

QH holds a 33.8% ownership stake in TAQA Arabia, the largest private sector energy distribution company in Egypt with over 18 years of experience with diversified sources of energy, investing in and operating energy infrastructure including gas transmission and distribution, power generation and distribution, and the marketing of petroleum products.





Total Gas Distributed

2013

4.8

BCM

Total Gas Distributed

2014

3.9

BCM

Total Investments

EGP bn

2.6

Revenues

EGP bn

2.0

EBITDA

EGP bn

192.3

**Energy Sector ( cont'd )**

Total Revenues of TAQA Arabia

**2013**  
**1.2**  
EGP bn

Total Revenues of TAQA Arabia

**2014**  
**1.8**  
EGP bn

Product	Capacity
Refined Products	1.9 m ton
Euro V Diesel	2.3 m ton
Jet Fuel	600,000 ton

TAQA Arabia serves its clients with energy distribution that incorporates fuels, electricity, natural gas, and the in near future solar & wind energy and biotechnology fuels. With 16 subsidiaries throughout Egypt and the region, TAQA Arabia has gained the expertise and know-how to strategically position its gas, EPC (engineering, procurement and construction), power and marketing arms across the full downstream energy value chain. Today TAQA provides services to more than 1 million customers.

Through TAQA Arabia, QH's investments in the power generation sector are positively contributing to the public sector's ability to meet domestic demand for electricity. Furthermore, private in-

vestment in the power sector contributes to a more sustainable approach to the management of non-renewable energy sources. Investing in electricity also has a wide impact on a diverse group of stakeholders. Private sector investments in electricity free the government of the burden of being the sole supplier of energy, allow national resources to be reallocated in a more efficient and constructive manner and provide the average citizen with their domestic supply of power. In the coming years we will also be focusing on operating all of our TAQA fuel stations with solar panels, rather than relying on subsidized power from the government.

Total Electricity Distributed

**2013**  
**355.9**  
mn kW/hr

Total Electricity Distributed

**2014**  
**591**  
mn kW/hr

## Total Agricultural Waste Received

**2013**  
**214,000**  
 tons

## Total Agricultural Waste Received

**2014**  
**318,000**  
 tons

Company	Achievements in 2013	Achievements in 2014
ECARU	214,000 tons of waste collected from Egypt	318,865 tons of waste collected from Egypt
Municipal Solid Waste Management	390k tons of waste received from south Cairo and Dakahleya	476k tons of waste received from south Cairo and Dakahleya
ENTAG	75 sorting and composting facilities built across the region	75 sorting and composting facilities built across the region

### Refining - ERC

Our new greenfield refinery has the capacity of 4.2 million tons of Euro V diesel. This in-progress refinery which is now 75% complete, falls directly within our plan to offer solutions to the energy crisis in the region. This refinery is expected to cut down Egypt's imports of diesel by 50-60%, which will have a substantive positive impact on the Egyptian economy.

Through investment in The Egyptian Refinery Company (ERC), QH is leading the way into decreasing the sulfur emissions in Egypt by 93,000 tons per year. ERC will also improve the quality of the petroleum supply by refining low quality petroleum into medium and light distillates.

### Liquid Bulk Terminal-Mashreq

Through QH's investment in Mashreq, we were able to fully demonstrate our firm belief in responsible investing. In May 2013, the East Port Said Port Authority finalized an agreement with Mashreq Petroleum. The agreement entailed a 30-year concession agreement, allowing QH to build the first independent tank terminal in Egypt. This

will provide liquid bulk petroleum products storage/ bunkering and blending services. QH's vision here was to join forces with the public sector to increase investment in the Port Said Port. This approach represents the core of our vision: a sustainable investment that contributes to the growth of the economy and as a result an improvement in the welfare of the region we operate within.

### Solid Waste Management - Tawazon

QH invested in regional solid waste management through Tawazon, a subsidiary that controls two companies: the Egyptian Company for Solid Waste Recycling (ECARU), a solid waste management service operator, and the Engineering Tasks Group (ENTAG), a solid waste management engineering and contracting company. With operations in Egypt and international projects in Oman, Malaysia, Sudan, Nigeria, Libya, Saudi Arabia and Syria, Tawazon is one of the leading solid waste management enterprises in the region.



# Cement Sector



Qalaa Holdings has invested in the cement industry through **ASEC Holding**, which includes three divisions: cement manufacturing, management & services, and construction. For 30 years, ASEC Holding has been operating locally and regionally and has established itself as a leader in the areas of engineering, construction and cement manufacturing. ASEC Holding's cement manufacturing arm is **ASEC Cement**, a leading cement producer with two greenfield plants in Egypt and Sudan.

The manufacturing of cement relies on natural gas, electricity, diesel and alternative fuel as sources of energy. Our plan is to replace all of our present plants' filters with electrostatic filters to minimize the environmental effect of running a cement production facility. We are also looking forward to incorporating bag filters on all plants to minimize air pollution around the plants. Our goal is to reduce our plants' dependency on fossil fuels by 4Q2015. Furthermore, the placement of one plant on the public electricity grid will eliminate the use of diesel for on-site operations.

Qalaa Holdings' cement sector is in constant communication with the Ministry of Environment (MoE). This contact is established so that the cement sector can operate at

maximum capacity with minimal impact on the environment. Our work with the MoE extends beyond compliance with Environment Law 4/1994 to include achieving internationally acceptable compliance levels regarding the cement industry.

The four plants run by ASEC Cement are emerging as major contributors to the region's demand for cement with facilities in Egypt, Algeria, and Sudan. ASEC is striving to achieve more efficient methods of production while maintaining socially responsible facilities.

Our challenges with the cement sector revolve mainly around the scarcity of energy resources. The solution present at hand is to resort to coal as a source of energy. The cement facilities will rely on coal as a primary source of energy starting from the summer of 2016. The effects of coal on the environment will be mitigated by our compliance with all MoE regulations regarding the use of coal. To counter the negative effects of coal, we plan on using alternative fuels (by 2016, 20% of the energy used in the cement sector will rely on alternative fuel) instead of fossil fuels in order to keep our carbon footprint as low as possible.



Total Cement Produced

2013

3.8

mtpa

Total Cement Produced

2014

5.8

mtpa

Total Investments

EGP bn

1.7

Revenues

EGP bn

2.6

EBITDA

EGP mn

582.7



# Agrifoods Sector



## Gozour

The region’s need for sustainable food security has encouraged Qalaa Holdings to invest in the food production sector. Our involvement in the agrifood sector is divided between Gozour and Wafra. Both companies not only address the region’s demand for food, but they also contribute to its demand

for job creation. With Gozour operating out of Egypt through four different establishments, Qalaa Holdings’ agrifood sector has secured a substantial share of the regional market. The expansion of production is evident in the following:

Company	Production volume in 2013	Production volume in 2014
Rashidi El Mizan (Confectioner)	28,674 tons	25,246 tons
Dina Farms (Agricultural Production)	97,984 tons	107,170 tons
Dina Farms (Raw Milk)	57,690 tons	64,060 tons
Enjoy (Juices and Milk)	38,134 tons	

Gozour’s total revenues were EGP 1,026 million in 2013 and EGP 1,043 million for 2014. Gozour is the epitome of a sustainable business model that invests in an efficient workforce operating the largest privately owned farm in Egypt (Dina Farms). **Dina Farms** utilizes the most advanced technology in irrigation which allows it to make efficient use of water resources. Today the agrifood sector contributes 18% of total Qalaa Holdings revenue.

Qalaa Holdings also has full ownership of Wafra, a company focused on agricultural production in Sudan. Wafra holds within it a total land investment of more than 500,000 feddans divided between Sudan and South Sudan. The grains produced by Wafra are sold in the local market, providing local citizens with both food and jobs. Qalaa Holdings investment opportunity presented itself through Sabina and Concord Agricultural. The total number of feddans owned by Wafra is displayed as follows in the chart on the next page.



Company	Total number of feddans in 2013	Total number of feddans in 2014
Sabina	324,000 feddans	324,000 feddans
Concord Agricultural	250,000 feddans	250,000 feddans

### Wafra

Wafra's social impact is evident in both Sudan and South Sudan, including increasing the welfare of surrounding cultivated lands. After the rehabilitation of more than 200 km of irrigation canals, the returned benefit accrued not only to Wafra's lands but also to 13,000 feddans cultivated by

local farmers. Sabina has also completed the demarcation of its 324,000 feddans of farmland that has established clearly defined lines on both topographical maps and daily human lives as of the end of 2014.

Total Investments	Revenues	EBITDA
EGP mn	EGP bn	EGP bn
974.2	1.0	166.1



# Transportation & Logistics Sector



Acknowledging the importance of transportation and logistics to the growth of local economies, Qalaa Holdings invested in railway and river transportation as an alternative to land and air transportation, through Nile Logistics and Africa Railways.

## Nile Logistics

Qalaa Holdings relies on the Nile River as a channel connecting Egypt and Sudan all the way to the south of Sudan, and Nile Logistics covers the Nile from Egypt through South Sudan to the National River Port Management Company covering the entire length of the Nile, and Nile Cargo operating locally to cover transportation between Alexandria and Damietta to Aswan, our unique transportation network covers the most significant river ports in the region and secures Qalaa Holdings' investment in the cleaner transportation of goods. Moreover, the National Multimodal Transport Company (NMT) has launched a new transport line covering the distance between the Port Said Container Terminal and the Suez Canal Container Terminal / Sharq Al-Tafrea, including a naval service bay at the Suez Canal. This new project falls directly into our plan for reducing our carbon footprint by promoting dependence on water transport as opposed to land transport. Resorting to water transport as an alternative to land transport has various benefits, chief among them is the reduction in expenses, traffic and costly land infrastructure.

## Africa Railways

Africa Railways is Qalaa Holdings' subsidiary that is focused on African railway routes. African Railways has a controlling stake in Rift Valley Railways (RVR), with a plan to implement a three-point turnaround program with investments of USD 318 million invested to date in CAPEX in RVR. Within 26 months of operations, RVR has already reconstructed the most damaged sections of the railway track between Mombasa and Nairobi, as well as rehabilitated and reopened the 500 km railway from Tororo to Gulu in Northern Uganda after a 20-year hiatus. Through these efforts, Africa Railways has established itself as a leading company. By 2013, RVR became the operator of 2,541 tracks of rails, transporting over 3.6 million passengers and 1.2 billion NTK, covering the distance between Kenya and Uganda.

Human capital development is a priority with all of Qalaa's investments. RVR employs 2,054 individuals, 8.2% of whom are female. Qalaa Holdings has given special focus to the work force operating the company and the rails, providing local employees with the chance to enhance their skills and equipping them with the required training and knowledge transfer to push their careers forward. In addition, RVR is involved with over 90 SMEs / community groups who work in various sectors of the company's operations. These SMEs are benefiting c. 5,000 people both directly and indirectly.





*“Qalaa’s investments in railway and river transport aim to provide affordable and reliable transportation & logistics solutions that can become an engine of national and regional growth and help dismantle barriers to cross-border trade in Africa”*

Total Investments	Revenues	EBITDA
EGP mn	EGP mn	EGP bn
563	667.2	(91.4)



# Mining Sector



## ASCOM

Qalaa Holdings invests in the mining sector through ASCOM, which has gone from being a supplier to the cement industry to holding concessions for mining aggregates, silica sand, gravel and other basic raw materials. ASCOM continues to grow regionally with subsidiaries: ASCOM Precious Metals Mining (APM), ASCOM Carbonate and Chemical Manufacturing (ACCM) and Glass-Rock. The three facilities cover operations in Ethiopia, Sudan and Egypt. All operations taking place under ASCOM are ISO 14001 certified since 2010. ASCOM keeps its environmental impact to a minimum by adhering to internationally acceptable standards of operating a heavy-industry facility.

Furthermore, ASCOM invested USD 200,000 in crushers for dust accumulation filters in 2014 as well as USD 50,000 for new labs and tools that are more efficient and USD 50,000 for the installation of a new disposal management system. Our facilities use heavy materials such as explosives and oils. As a counter impact, 70% of the oils are recycled and 20% of our spare parts from the facilities are recycled as well. Furthermore, our direct energy consumption primary source is solar energy. This cuts down on the negative environmental impact and decreases the risk of non-compliance with international standards of relevant operation. ASCOM's consumption rates of solar energy are listed on the following page.

As of next year, a plan has been put forward to invest in heavy dump trucks in an attempt to minimize the number of tipper trucks. This will have a direct effect on our consumption of solar energy, reducing our intake per ton. Our impact on water is 1.0 Mio m<sup>3</sup>/year in water discharge. Water is consumed in the process of spraying internal roads. This leaves no room for recycling or reuse.

Currently, ASCOM is focusing on being a major supplier of the services needed for the production of cement. Our biggest focus remains supplying cement manufacturers with raw materials. Building on that, our main activities include:

1. Full Quarry Management
2. Geological Investigation
3. Quarry Design & Development
4. Topographic Surveys

Operating in a diverse geographic space is a responsibility that we take seriously. With operations in Sudan, Ethiopia and Egypt, our stance in terms of labor compliance and human rights preservation is clear. Management's approach to the safety and wellbeing of its workforce comes from a place of real concern. ASCOM has never been reported to have violations regarding labor laws and/or human rights.



ASCOM Consumption Rate of Solar Energy

2013

3.9  
MW

ASCOM Consumption Rate of Solar Energy

2014

4.2  
MW

Total Investments

EGP mn

183.1

Revenues

EGP mn

632.2

EBITDA

EGP bn

46.2

# Microfinance Sector



## Tanmeyah Micro Enterprise Services

Almost half of Egypt's population lives below the poverty line, with many more living within great proximity to it. Only 2% of the private sector gets 98% of the credit extended by Egyptian banks. Tanmeyah uses an innovative approach to tackle the issue of a lack of access to credit by offering financial services to low-income individuals and enterprises.

Qalaa Holdings has acquired a 70% stake in Tanmeyah Micro Enterprise Services, established in 2009 to offer microfinance services in Egypt. Tanmeyah has proven to be a fast-growing business, offering services to its clients in rural areas including Upper Egypt. With a nationwide branch network, Tanmeyah has positioned itself as an integral part of the communities in which it functions. The Tanmeyah business model is focused on offering microfinance services to segments of the population who previously had no access financing. To date, Tanmeyah has 100 branches nationwide, serving 92,476 active clients,

and a loan portfolio of EGP 405 million. Tanmeyah's core product is microenterprise lending with loan sizes ranging from EGP 3,000 to 30,000. Microfinance is a growing trend in international markets as it has proven to be a successful model in terms of stability and scalability.

In April 2015, Tanmeyah also launched the Very Small Enterprise Lending product with loan sizes ranging from EGP 30,000 to EGP 100,000. With excellent growth potential within the current business environment in Egypt, Tanmeyah is expected to play an important role in the development of the country by providing growth, working capital and other financial solutions to companies and individuals that otherwise have no access to the formal financial system.

Tanmeyah's model focuses on serving business owners to help them break the cycle of poverty. This social investment yields its results in the form of an increase in the welfare of



***“With excellent growth potential, Tanmeyah is expected to play an important role in the development of the country by providing growth working capital to individuals that have no access to the financial system”***

society. Traditional formal financing services are inaccessible to the majority of small businesses that want to expand their business models. With a potential unmet market demand of approximately 2 million micro and small-sized enterprises, Tanmeyah has tremendous growth potential. To date, Tanmeyah has served 338,654 clients.

# Governance and Accountability



# Our Governance Structure

Good governance is a key cornerstone of a sustainable business. At Qalaa Holdings this is manifested through a Board of Directors (BoD) inclusive of both executive and non-executive members. The members of our BoD are appointed through a convened General Assembly of Shareholders. The appointment is based upon the percentage of ownership of shares and expertise credentials.

A firm, fair, and transparent internal regulations system ensures the adherence of all employees to our values. The installation of this type of internal process in a company like Qalaa Holdings presents challenges, due to the complexity and diversity of the different sectors involved. However, we are very committed to presenting a dependable model of good governance that constantly evolves in response to our needs.

As holding companies own multiple companies within their structure, their governance process is ultimately a complex one. Qalaa Holdings ensures its subsidiaries are equipped with the appropriate structure required for an independent decision-making process in accordance with national laws and international standards of governance, ultimately creating a balanced system for accountability and decentralization.

Being a holding company, Qalaa Holdings has a Statutory Board that incorporates executive (12 members) and non-executive (6 members) directors. The definition Qalaa Holdings uses to refer to non-executive members is that these members are not involved in the management of Qalaa Holdings or its subsidiaries. As for independent members, they are members who do not represent a particular shareholder in Qalaa Holdings or any of its subsidiaries.

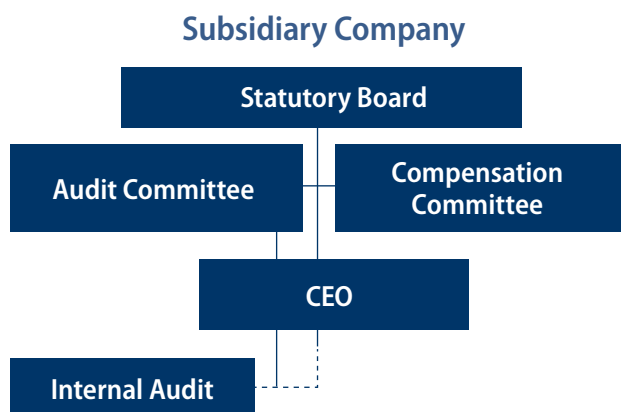
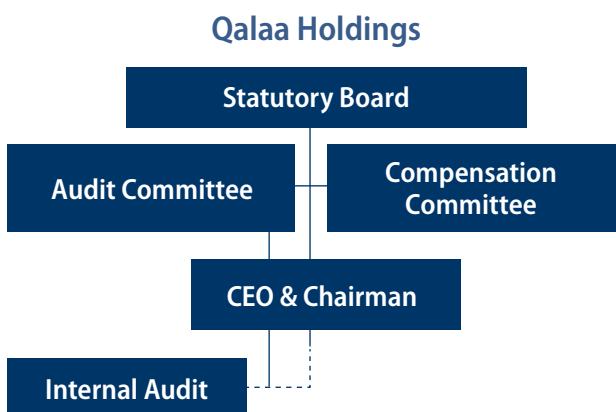
As for subsidiaries, their management boards are held quarterly. They act as decision-makers and own their reports to the Finance

and Investment Committee of Qalaa Holdings. The Audit Committee also meets quarterly and, in its turn, reports to the Statutory Boards of both the relevant subsidiary and Qalaa Holdings. Furthermore, a Management Committee convenes on monthly basis to allow senior employees to provide direction or recommendations to the executive officers.

Minority shareholders are given the opportunity to express and document their opinion on management or operations through the General Assembly of the Shareholders, to which the Board of Directors reports.

The 2015/2016 plans entail a more structured and organized governance plan, with enhanced governance procedures being developed through the design and implementation of a Governance Code for Qalaa Holdings and its subsidiaries. Moreover, Qalaa Holdings has adopted a number of policies that ensure good governance throughout Qalaa Holdings and its subsidiaries. The newly developed policies include the prevention of malfunction, the detection of error in the governance process as well as detailed mechanisms to follow in whistle blowing protection.

Qalaa Holdings has an Audit Committee that oversees the work of Qalaa Holdings and only intervenes in the auditing of the subsidiaries when required. The relatively larger subsidiaries have their own audit committees that operate independently. The audit committees of both the subsidiaries and Qalaa Holdings are composed of non-executive members to secure maximum efficiency and professionalism. The Chairman of the highest governing body in Qalaa Holdings, i.e. the Statutory Board, is Dr. Ahmed Heikal, the Chairman and Founder of Qalaa Holdings. Further details of his function, and the Audit Committee as a whole, are provided in the section below.





# The Audit Committee

To secure good governance and responsible practices at all levels of Qalaa Holdings, from top management down to the smallest employee, a “leadership by example” approach has been adopted. This approach creates a basis of trust between management, employees and stakeholders alike. Recognizing the need for a practical mechanism for this approach, Qalaa Holdings established an Audit Committee to assist the BoD with its supervisory responsibilities. The Committee consists of three members who are chosen from the already existing members of the BoD. However, the selected members have to be non-executive members of the Board. It is also within the jurisdiction of the BoD to elect a non-member of the Board to serve in the Audit Committee. At least one of the Audit Committee members must be an expert in financial management, with proven past experience in the field of finance and/or accounting. The BoD shall also assign one of the Audit Committee members to serve as the committee’s Chairman.

The Qalaa Holdings Audit Committee requires an inflow of information from the subsidiaries’ audit committees to promote consistency of policies and procedures and handling of issues across the platforms. This flow is done through the head of internal audit of Qalaa Holdings being a member of the subsidiaries’ audit committee.

The responsibilities of the Audit Committee are divided into the following four main categories:

**Internal Audit:** The Audit Committee is responsible for approving the final audit annual plan. It is also responsible for reviewing the charter, activities, staffing and organizational structure of the internal audit function with management and the Chief Audit Executive.

The Audit Committee should assess the effectiveness of the company’s internal control system, including information technology security and control. Furthermore, the Audit Committee is responsible for obtaining reports on

significant findings from the internal auditors. This process is completed by suggesting recommendations, together with management responses, on how to improve the internal auditing process.

**External Audit:** This responsibility entails supervision on all external auditing conducted for Qalaa Holdings. Furthermore, it includes installing and conducting an internal mechanism to ensure external auditors are aligned with Qalaa Holdings’ auditing standards.

**Financial Reporting:** The Audit Committee must review the companies annual and quarterly financial statements and the related documents prior to filing or distribution. The review should include discussion with management and External Auditors of significant issue regarding accounting principles, practices, audit findings, disclosures, judgements, and any other requirements under accounting standards and rules.

**Compliance:** The BoD and the rest of the employees are all bound by compliance regulations set forth through international and local standards. It is within the Audit Committee’s duties to assure compliance with set rules and regulations.

Other responsibilities include overseeing special investigations and conducting annual assessments for the adequacy of the internal audit charter. Furthermore, the responsibilities of the Audit Committee extend to include the installation of a whistle blowing system that needs to include mechanisms for filing complaints and investigating them while making sure the whistle blower is protected. This duty is empowered by the ability of the Audit Committee to seek and obtain any information it deems of relevance to filed complaints. Members of the Audit Committee are expected to behave in an impartial manner that ensures their unbiased judgment in the areas of their jurisdiction.

# Internal Audit Charter

The Internal Audit Charter is established to ensure maximum audit efficiency of the internal audit process. The charter specifies the audit development plan, the audit approach and the authorities of the Internal Audit Department. The Audit Charter also includes regulations to ensure the objectivity and the independence of the internal audit process. The scope of this charter includes the functions of the Internal Audit Department over Qalaa Holdings and its subsidiaries.

The internal audit function is installed to improve Qalaa Holdings' overall operations. This is done by providing a timely and independent internal audit process that is able to cater for the volume of Qalaa Holdings operations. The internal audit process assists Qalaa Holdings in providing a systematic and disciplined approach that is able to improve the effectiveness of the risk management process, exercise control over operations as well as indicate the effectiveness of the governance process.

Accordingly, the functions of the Internal Audit within Qalaa Holdings and its subsidiaries are:

- Conducting a review of the reliability and of the financial operation information.
- Assessing the compliance of Qalaa Holdings and its subsidiaries with the policies, laws, regulations and contracts within the company and vis-à-vis other parties.
- Conducting an evaluation process to ensure safeguarding of assets.
- Examining the effectiveness and efficiency of various operations and controls.

The Internal Audit is managed by the Head of Internal Audit at Qalaa Holdings. The Audit Charter ensures the Head of Internal Audit is allowed channels to exercise the required functions in an independent manner. This is safeguarded by providing the Head of Internal Audit with independent functional reporting lines with direct access to the Audit

Committee as well as administrative reporting channels to the Chairman and the Chief Executive Officer.

The Audit Committee approves the Audit Plan after being formed by the Head of Internal Audit through consultation with the Chairman and the CEO. The Audit Plan is carried out and its impact is reported by the Head of Audit to the Audit Committee in timely manner. The plan is adopted after realizing the following:

- Understanding of the operations and their relevant policies as well as their controls.
- Identifying the risks related to said operations.
- Tailoring an audit process to match the nature of the operations.
- Reporting on findings.

The findings of the Internal Audit process are presented in the form of a report. The report should include; the audit scope work performed, key strengths, and findings identified (categorized as high, medium, and low risk) along with their relevant recommendations. The reports of the Internal Audit are to be reported to the appropriate Senior Management and the Chairman, Chief Executive Officer and to the Audit Committee at their request.

# Insider Trading Policy

With the large magnitude of Qalaa Holdings and its involvement with several other sub-companies, the development of an Insider Trading Policy was of essence. The Insider Trading Policy helps protect employees from issues relating to conflict of interest, access to sensitive information and other regulations set forth by the EGX and EFSA.

The Insider Trading Policy is a policy developed to govern insider trading within Qalaa Holdings and its subsidiaries. This policy was established to prevent inadvertent violations or improper transactions on Qalaa Holdings shares. It also guarantees that Qalaa Holdings activities are done in the light of fair trade and in good faith. The policy also guarantees compliance with the listing rules of the EGX and EFSA on insider trading. The scope of the Insider Trading Policy also extends to include family members of the relevant employees, in an effort to eliminate channels of fraud and embezzlement. Under the terms of this policy, the concerned employees are prohibited from:

- Performing any trading on the Company's shares during black-out periods.
- Performing any trading on the Company's shares while in a possession of material, price-sensitive and non-public information even during the trading window.
- Recommending the purchases and/or sales of the Company's shares to others based on confidential information that was not yet been disclosed to the market.
- Providing material non-public information to family members, business acquaintances or friends or any third person.

Compliance with the Insider Trading Policy is each employee's responsibility. To enhance adherence to the Insider Trading Policy, Qalaa Holdings has proceeded with allowing employees who are in doubt to access the Investor Relations Department who should resolve the issue. The Head of Investor's duties can be listed as follows:

- Serving as a designated person before the EGX and EFSA.
- Reviewing all trading transactions on the Company's stock.
- Conducting the annual circulation of the Insider Trading Policy to concerned personnel.
- Coordinating with the Legal Department regarding compliance activities and the change of trading laws to ensure that the policy is amended as necessary to comply with such requirements.

Qalaa Holdings has long held itself as a leader in setting high standards for its employees' compliance.

# Anti-Fraud Policy

The Anti-Fraud Policy was established to promote consistent corporate integrity, honesty and ethical behavior with zero tolerance to fraud and corruption within Qalaa Holdings and its subsidiaries. Other functions of the policy include:

- Protecting Qalaa Holdings' funds, reputation and employees against acts of fraud.
- Providing a framework for investigating all suspected cases of fraud.
- Establishing the roles and responsibilities of parties involved in the investigation, to assess whether the reported red flags/suspected acts constitute fraud or not, and the concerned management role in mitigating the detected risks.

The policy covers both occupational and corporate fraud. It is applicable to any fraud or suspected fraud within Qalaa Holdings. It extends to include any of said acts committed by or involving directors, management, employees (both permanent and temporary), vendors (suppliers, contractors and sub-contractors), business partners, customers, distributors, employees of outside agencies doing business with Qalaa Holdings, competitors and others.

Qalaa Holdings management is responsible through the terms of this policy to set the "Tone at the Top". This entails their responsibility to be familiar with the types of fraud facing their line of action, implementing adequate control over them, conveying the anti-fraud measures throughout the company as well as supporting the employees' rights to report on fraud.

As for the employees, they are expected to act accordingly by being aware of the types of fraud relevant to their line of work; participating in the process of creating a strong control environment; and reporting through the whistle blowing channels any acts of fraud.

The reference Qalaa Holdings uses when referring to fraud is a derivative of the Egyptian Law's definition of fraud. The Egyptian Law under the Qalaa Holdings definition can be broadly divided into: fraudulent financial and operational reporting, misappropriation of assets and acts of corruption relating to assets.

The Anti-Fraud Policy consists of three channels for fighting fraud, namely: fraud prevention, fraud detection and responding to fraud. The terms of this policy highlight management as a

key player in implementing a culture of anti-fraud in both Qalaa Holdings and its subsidiaries. Under the terms of the Anti-Fraud Policy, the management is responsible for:

- Investigating reported actual or suspected fraud.
- Providing appropriate mechanisms for employees and other parties to voice their genuine concerns.
- Assessing fraud risk and designing and implementing controls and programs to prevent it where possible and make it visible should it occur.

The Whistle blowing Channel is an integral part of the anti-fraud policy. The channel allows management, employees or third parties to report on suspected or actual acts of fraud. The Whistle blowing Channel also entails protection of the whistle blower reporting fraud. The following should be noted when using the Whistle blowing Channel:

- The whistle blower shall not be threatened in any way nor be subjected to any form of discrimination or any other adverse measure, unless the facts of the case were knowingly wrong when reported.
- Whistle blowing should be done using proper language and not based on hearsay or false allegations that are not supported with sufficient evidence.
- Since this is an anonymous whistle-blowing channel, all whistle blowers shall provide evidence to reported suspected or actual fraud.
- Any employee, who decides to disclose her/his identity, intentionally provides falsified information/evidence, damages other parties' reputation or aims for personal gains shall be subjected to disciplinary actions as per the Human Resources Department Guidelines.

Complaints filed through whistle blowing channels are investigated by a committee comprising the Internal Audit Function and the Human Resources Department. The process of investigation is carried out until the complaint is resolved whether by actual detection of fraud or by the establishment of innocence.

The Anti-Fraud Policy is another step forward that establishes Qalaa Holdings as a leader in the methods of prevention and detection of fraud. This reiterates our belief that good governance is of essence to Qalaa Holdings' growth and prosperity.

# Risk Management

The Risk Management Department at Qalaa Holdings has always maintained a healthy relationship with our investors. No matter how big or small the investor might be, it is within Qalaa Holdings' DNA to carry out a relationship based on trust and transparency. This is precisely why Qalaa Holdings has a reputation for conducting the relevant disclosures to its investors in a professional and timely manner. As part of our commitment to a transparent relationship with our investors, Qalaa Holdings communicates with its investors through a variety of channels that include:

- Communicating written disclosures to the EGX.
- Emailing our latest news and releases to our investors.
- Constantly updating the content of the Qalaa Holdings' website with the latest news relevant to the market and its investors.
- Participating in road shows and conferences where we engage with a wide range of investors.
- Conducting meetings with investors (in groups and one-on-one) during road shows.
- Scheduling meetings with our investors upon their request in our premises.
- Responding in a timely fashion to our investors' calls and emails.
- Offering an open communication channel with the brokers who – in their turn – communicate relevant information to our investors and clients.
- Holding media interviews when possible.



# Stakeholder Engagement



*“Qalaa Holdings is committed to engaging with relevant stakeholders as an integral part of maintaining a sustainable business model. It is within our practices to set up communication channels with all relevant stakeholders ranging from the smallest investors and up to community representations and the relevant public sector entities.”*

*The below table captures our stakeholder engagement practices:*

Stakeholder Group	Type of Engagement	Frequency of Engagement 2014
<b>Employees and Trainers</b>	Annual employee engagement event / all employee meetings / whistle blowing reporting	Ongoing
<b>Local &amp; Regional Governments</b>	Direct meetings / participation in governments' initiatives / key national and international events	Ongoing
<b>Media/Influencers</b>	Press releases / press conferences / round tables / one on one meetings / events / website	Ongoing



<b>NGOs</b>	Meetings on various issues / written communications / emails / SMS	Ongoing
<b>Shareholders &amp; Investors</b>	Conferences / road shows / one-to-one meetings / publications / website / webcasts	Ongoing / quarterly / annually
<b>Industry/Commerce/Trade Associations</b>	Corporate advisory panels / written communications / meetings	Ongoing written/verbal communication
<b>Key Suppliers &amp; Service Providers</b>	Meetings on various issues / written communications	Ongoing on day to day basis
<b>Financial Institutions/ Partners</b>	Annual performance reporting to DFIs and other financial partners	Annual Reports /ongoing written communication / meetings
<b>Civil Society</b>	Public private partnerships and engagement on selected topics related to human capital development	Ongoing

# Unleashing Human Potential

*Value creation starts at the core of the community – the human being. Our cycle of creating value begins with the recruitment process. When we start our recruitment process, we are insistent on finding potential future partners. We create a cycle where human capital is targeted, aligned, trained and graduated as entrepreneurs. Ever since we began, we declared ourselves as equal opportunity job creators. We are apolitical, asexual and non-religious when we are recruiting and when we are looking for our potential partners. Our adherence to international labor standards reinforces the trust between management and employees in all the sectors in which we invest.*

*We have compiled employment data for each of our relevant companies, including employment type (full-time, part-time, Senior Management, Middle Management and Entry Level); gender distribution; employee benefits; and employee turnover (detailed data is provided in Annex 3). Information on staffing and recruitment policies is also provided. The following sections provides data on companies according to sector of operations, starting with the energy sector, followed by cement, agrifoods, transportation and logistics, mining and microfinance.*





*“The individual is the core of our development process, during the year 2014, Qalaa Holdings invested more than EGP 4.5 bn in the livelihoods of our workforce, in the form of wages, salaries, bonuses, and other similar items”*



# Qalaa Holdings Corporate Level



We are an equal opportunity employer which entails that individuals are hired, trained, promoted and transferred in all job classifications regardless of their race, religion, sex, nationality, age and family/social status. Our Employment Guide provides guidelines for the board and general employment policies. In cases where company policies or guidelines contradict those of national labor laws in any country/region where Qalaa Holdings operates, precedence is given to the application of local law. Any violations of Qalaa Holdings policies and procedures might subject the violator to various forms of reprimands.

With regards to data on our workforce, Qalaa Holdings has 102 full-time employees, with the following gender breakdown: approximately 82 percent of full-time employees are male, with the

remaining 18 percent being female. It is notable that 88 percent of full-time female employees are in middle management, 11 percent are in senior management and none are at entry level. In terms of age group breakdown, the largest proportion of staff are between the ages of 31 and 40 (46 percent), with approximately 18 percent between the ages of 25 and 30, and 20 percent between the ages of 51 and 60. In terms of staff turnover, seven employees left the company in 2014, in contrast to 11 new hires (the majority in the 25 to 30 year age group).

We provide our employees with life and health insurance, maternity leave and disability/inability coverage. One hundred percent of women who were on maternity leave during the year 2014 returned to work in the company.



To ensure our workforce's health and safety, we share circulars and awareness emails about any emerging serious diseases when they occur. To ensure continuous growth and development, we have developed comprehensive and world-class training schemes that are specific to our industry's needs and priorities. This year, we provided 700 hours of training to our employees. Moreover, close to 100% of our workforce participate in regular performance and career development reviews.

In November 2006, Qalaa Holdings established the Qalaa Financial Services Center (QFSC) at the American University in Cairo (AUC). The center is the Middle East's first institution dedicated to providing financial and analytical education that prepares students for careers in securities trading, risk

management and asset allocation. Qalaa Holdings donated US\$ 250,000 to start QFSC in November 2006 and has further donated US\$ 30,000 annually to cover operating costs. All of Qalaa's entry-level employees undergo training that QFSC which is equipped with an array of advanced financial software and tools, including a simulated trading room linked directly to the Egyptian Exchange.

# Environmental Footprint



*“**Tawazon** provides biomass and RDF as alternative fuels to heavy energy consumers such as cement factories”*



# Environmental Policy

Established as a model for doing business in a strictly compliant manner, while focusing on sectors that in principle can represent an environmental hazard, Qalaa Holdings identified environmental compliance as one of its core imperatives since inception. Qalaa Holdings' Environmental Compliance Strategy is based on the strict compliance of all our subsidiaries to all the national environmental laws and regulations featured in each of the countries we operate in.

In addition, Qalaa Holdings' Environmental Compliance Strategy ensures the adoption of various global guidelines, management systems and standards at both the holding and subsidiaries levels when relevant. Qalaa Holdings is a member of the United Nations Global Compact (UNGC) and Global Impact Investing Network (GIIN). As a member of both, we are committed to incorporating their principles and systems into the company's environmental strategy. This includes our focus on:

1. Adopting a preventive approach in our investment strategy by ensuring a very thorough study for our environmental impact prior to initiating any investment on the ground;
2. Focusing on the efficient use of resources across all sectors to minimize waste and the depletion of natural resources;
3. Moving our industries, as well as our communities, towards the use of cleaner energy, in an economically viable manner;
4. Introducing sustainable transportation services to minimize carbon footprints for both our industries as well as for the communities we operate in;
5. Adhering to and investing in the latest technology for waste management as a key solution for both global resources and the energy dilemma;
6. Improving the environmental performance of our business through research and development of new technologies, preventing and reducing our emissions and minimizing our waste;
7. Investing in compliance with health, safety and environmental measures, and
8. Reporting on performance on at least an annual basis and ensuring that any violation is immediately discussed at the board level for each of the subsidiary companies and at Qalaa Holdings' board if the violation was not resolved immediately. In this regard, being a member of the GIIN entails selecting and applying performance metrics, including metrics commonly used to assess performance in our core industries. Our adherence with this membership allows us a channel to assure that international standards are applied throughout all our subsidiaries.

In addition, Qalaa Holdings works closely with our Developmental Funding Institution (DFI) partners to enhance the company's compliance and reporting frameworks. This includes, among others, the adherence to IFC's performance standards on environmental and social performance. A significant number of our subsidiaries report quarterly on their environmental performance to our DFI partners to ensure transparency and ongoing dialogue towards an improved environmental performance.

# Use of Materials

It goes without saying that we at Qalaa Holdings are cautious with our use of materials. We ensure that the materials used are allocated in a manner that maximizes efficiency and ensures sustainability. Below is a summary of some of the materials used by our subsidiaries:

# Use of Energy

Pinpointing the different types of energy used by all the different sectors makes it easier for us to identify whether our use of energy is allocated strategically. With five different sectors, the reported use of energy is as follows:

# Biodiversity

Most of Qalaa Holdings plants and facilities operate in industrial areas. Due to the fact that Qalaa Holdings is involved with heavy industries, the facilities and plants have to be built away from residential and wild life. It is safe to say that no wild life is affected or threatened due to Qalaa Holdings facilities operation.

# Use of Water

While Qalaa Holdings' operations are located in countries that maintain a medium to low risk on the availability of local water resources, we nevertheless remain committed to the sustainable use of water resources, and to the investment in the efficient use of available local resources. Below is a summary of the water resources by primary sources for our material operations:

# Emissions, Effluents and Waste

## **ERC**

The Egyptian Refining Company (ERC), our USD 3.7 billion second stage oil refinery in the Greater Cairo Area, will be filling the supply gap for high value Euro V diesel (the cleanest fuel of its type in the world). ERC's feedstock is fuel oil, which is currently consumed as fuel. The refining process to produce lighter products such as diesel removes sulfur from the fuel oil. ERC will thus prevent the release of 93,000 tons of sulfur that are currently being emitted into the air and accordingly represents a reduction of 186,000 tons in annual SO<sub>2</sub> emissions. This equates to a 29.1% reduction in the total amount of SO<sub>2</sub> currently emitted in Egypt from the burning of sulfur-containing fuels such as fuel oil and diesel.

# Engaging with Our Communities

Contributed to community development programs since 2004

USD mn

+60

Scholarships awarded since 2007

138

Annually donated to cover operating costs for the QHFSC

USD

30,000

Contributed by Africa Railways to management training program

USD

100,000

Our management approach is built around the principles of shared value creation. This translates into immense direct and indirect socioeconomic impact generation for our surrounding communities. Our direct impact is generated through tailored social investment programs and activities that are designed to meet local needs and priorities. Our indirect impact, on the other hand, is generated through the infrastructural investments we implement in our surrounding communities. Both our direct and indirect impact footprints stem from our firm belief in the role of a corporate citizen in ensuring the welfare of its surrounding communities. The below sections describe some of the social investment areas targeted by QH and its subsidiaries:

## Qalaa Holdings Social Investment Programs

### QALAA HOLDINGS SCHOLARSHIP FOUNDATION (QHSF)

Launched in 2007, the foundation has granted 138 academic scholarships to promising Egyptian scholars interested in pursuing Master's degrees and PhDs at top international universities in Europe and North America on the condition that they return to Egypt upon graduation to work in their chosen field. QHSF alumni have majored in a wide variety of disciplines including medicine, nanotechnology, political development, business, renewable energy systems and water conservation. Backed by an endowment, QHSF has grown into the largest private sector scholarship program in Egypt. QHSF scholars will help the nation tackle opportunities and challenges alike in the decade ahead.





### **THE QALAA HOLDINGS FINANCIAL SERVICE CENTER (QHFSC) AT AUC**

We donated USD 250,000 in 2006 to establish the Qalaa Holdings Financial Service Center (QHFSC) at the American University in Cairo (AUC) — the first institution in the Middle East dedicated to providing financial and analytical education to prepare students for careers in securities trading, risk management and asset allocation. In the years since, Qalaa Holdings has donated a further USD 30,000 annually to cover operating costs.

### **ENHANCING EDUCATION**

Qalaa Holdings sponsored the Teaching Thinking in Africa Workshop, as part of its commitment to improving education, leading by example and engaging with friends, partners and acquaintances in order to support the talented future leaders of Africa. Qalaa Holdings believes that by focusing on education we can build our region's human infrastructure to create an enabling framework that will no longer require us to seek talent from abroad.

### **PROMOTING GREEN INVESTMENT**

In 2014, we were the lead Sponsor of the Egyptian Ministry of Environment's inaugural Green Investment Opportunities Conference, a senior-level gathering of private sector leaders who met to discuss how industry can work not just to mitigate its impact on the environment, but to reduce emissions going forward. The conference is establishing a framework by which ideas on sustainable and green development can be realized. Participants discussed scientific methods of implementing a green economy and explored the practical

strides taken by the private sector (and Qalaa Holdings specifically) to combat climate change through green construction, sustainable transport, renewable energy, waste recycling and alternative fuels.

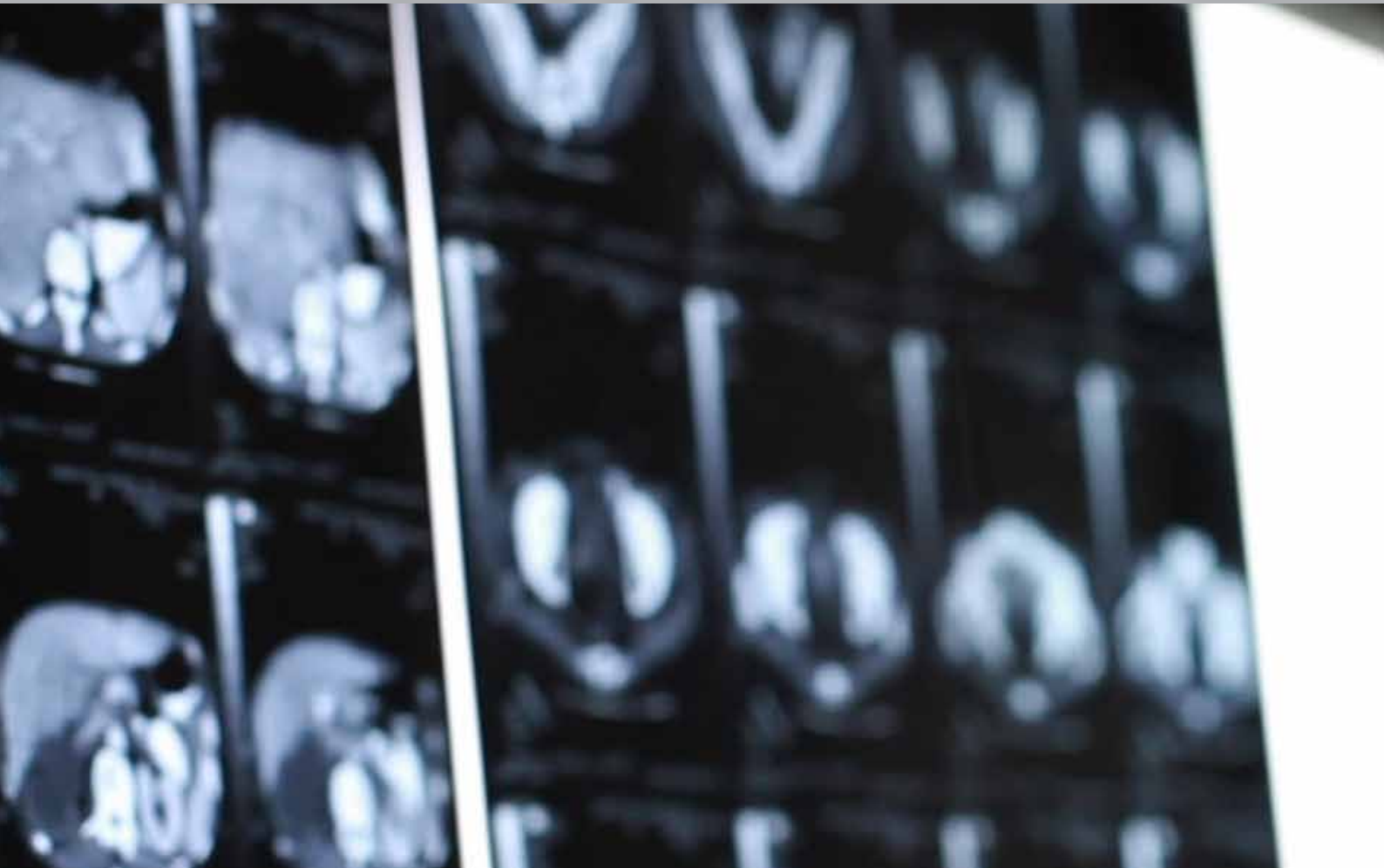
### **BUILDING CULTURAL TIES THROUGH THE ARTS**

By supporting an event such as the Luxor African Film festival, Qalaa Holdings aims to develop both talent and opportunities for hundreds of young African filmmakers. In addition to the sponsorship of the Festival, Qalaa Holdings also sponsored an award for the best short film and a special workshop (the STEP Program) for long feature films. The event attracted participants from 41 countries and included directing and scriptwriting workshops headed by leading African filmmakers.

### **Subsidiary Companies Social Investment Programs**

#### **CEMENT INDUSTRY PROFESSIONAL DIPLOMA**

ASEC Engineering, an engineering services subsidiary of Qalaa Holdings collaborated with the American University in Cairo (AUC) to offer a professional diploma for the cement industry. Implemented by AUC's Engineering and Science Services Department — whose syllabus was developed in cooperation with ASEC Engineering's ASEC Training Center — the program offers comprehensive academic and practical education in the field of cement engineering and management and is comprised of three specializations: Specialized Maintenance for Cement Plants, Operation & Production Engineering, and Testing & Quality Control.



### MANAGERIAL AND VOCATIONAL TRAINING PROGRAMS

We conduct a comprehensive management and skills training program through our African transportation unit, Rift Valley Railways (RVR), the national railway of Kenya and Uganda. To-date the program has helped to positively impact over 6,000 community members in Kenya with plans to roll out a similar program in Uganda. The skills gained through the training program have enabled an estimated 2,000 people find employment opportunities. Similarly, our under-construction USD 3.7 billion refinery in Egypt, the Egyptian Refining Company (ERC), has been providing vocational training opportunities for the members of the local community through purpose-built community centers. It has trained 915 members of the community so far.

### ENSURING FOOD SECURITY

ASEC Minya: Qalaa Holdings' investment in cement had its positive impact on some of Minya's poorest and most vulnerable communities. ASEC Minya has donated more than EGP 2 million to a United Nation's World Food Program (WFP) project that reaches 13,000 people through a school that has 133 students. The program provides a mid-day snack to the attending students, which accounts for a quarter of their daily nutritional needs. Students who attend also take home a daily ration for their families. Furthermore, ASEC Minya has signed

a collaboration agreement with Minya University, securing a partnership agreement between the two entities. The agreement between ASEC Minya and Minya University entails an exchange of scientific and technical knowledge where ASEC Minya undertakes to offer soft skills training to the students of the Geology and Chemistry departments enrolled in the Faculty of Science. ASEC Minya also promotes the exchange of knowledge between the mentioned departments and the cement plant.

### ENHANCING BASIC INFRASTRUCTURE

The Egyptian Refining Company (ERC) has established of two community-development centers, working to assess the skills available within the community, as well as identifying community needs and concerns. These assessments revealed that community members lacked adequate vocational training. Accordingly, ERC carried out vocational training for 500 members of the local community.

Furthermore, the last two years have witnessed the completion of two comprehensive school refurbishment projects, including upgrading facilities like school grounds, buildings, and classrooms of local schools. The schools' renovation process has had a positive impact on more than 5,000 students. Building on our service to the community, ERC



has been conducting a community needs assessment and stakeholder mapping exercise in order to be able to design strategic and culturally appropriate interventions for the target community. Following the results of the mapping exercise, Qalaa Holdings is designing community support initiatives around the development and renovation of much needed health care facilities, as well as the refurbishment of additional schools in the area.

### **JOB CREATION AND INCOME GENERATION**

Rift Valley Railways (RVR): RVR launched “Transforming Lives in Africa with Every Move”. The program focuses on strengthening the ties between RVR and the communities living around the railway lines. The program functions through 59 community-based organizations, with each organization having the membership of between 30 to 50 members. Through this initiative, RVR provides much-needed job opportunities to members of the communities living around the railroad and/or its associated operational corridor. The jobs provided include a diverse range of positions ranging from custodial services to maintenance support. RVR also offers training programs in management and entrepreneurship to further encourage sustainable development and private enterprise in neighboring communities. To date, RVR has invested more than USD 100,000 in the “Transforming Lives in Africa with Every Move” project, and has created more than

2,000 jobs. The positive impact of the project is evident in the positive impact created on more than 6,000 community members in Kenya. As a next step, RVR is currently investigating the possibility of implementing a similar program in Uganda.

Sabina, one of Qalaa Holdings’ investments in the agricultural, exemplifies a sustainable business model that serves the community while maintaining profitability and return on investment. Qalaa Holdings has dedicated a USD 1.5 million fund for social infrastructure improvements to increase the level of welfare in the surrounding community. Sabina kicked off its social investment near Kosti in Sudan’s White Nile state by obtaining a 99-year lease on 300,000 feddans of land, which were directly put to work. Following the completion of Sabina’s operations, we are looking forward to having our investment revert to the local farmers. According to the plan, 33% of the existing irrigation schemes and 15% of the land will be handed back to local farmers in an attempt to provide them with a sustainable source of income. Through Qalaa Holdings’ activities in Sudan, Sabina will create employment opportunities for locals. Furthermore, Sabina will have an active role in the education and support of the local community in several villages including: Om Hany, el Zuleit, el Sabaa and el Ghazala. The investment in human potential is also represented by the allocation of USD 395,000 annually to rehabilitate schools in local communities and establish vocational training programs for local farmers.

# Sustainability Challenges and Opportunities

*Any organization that is as big and diverse as Qalaa Holdings will face challenges in its growth cycle. We believe that challenges are an integral part of any growth process and that these challenges also present opportunities*

## Challenges

- A constantly changing and growing geographic area
- Frequent market fluctuations and political shifts that impact the economy
- Difficult to navigate regulatory frameworks and law enforcement strategies associated with emerging markets
- Political instability
- Inefficient and outdated infrastructure

## Opportunities

- Growth markets
- Demand for infrastructure
- Demand for energy
- Demand for services
- Growing populations
- Skilled workforce
- Abundant natural resources
- New governments who are more open to working with the private sector



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ENERGY



CEMENT



AGRIFOODS



TRANSPORTATION  
& LOGISTICS



MINING

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