

THE  
ABRAAJ  
GROUP

# Sustainability Report 2015/2016



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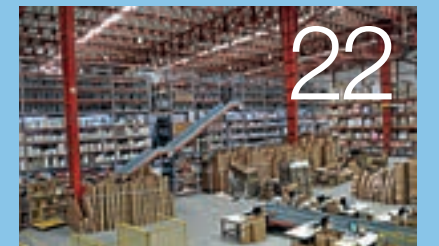
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# Introduction

1 Firm | 5 Regions | 20 + Local Offices

**c.US\$ 9.5bn**

AuM<sup>1</sup>

**US\$ 6.6bn**

Deployed

**c.170**

Investments

**US\$ 6.3bn**

Realized<sup>2</sup>

The Abraaj Group is a global institution investing in select markets across Africa, Asia, Latin America, the Middle East and Turkey.

We currently manage c.US\$ 9.5 billion across targeted private equity strategies. By combining deep local reach, a global platform and underwriting standards, with extensive operating capabilities, we generate industry-leading returns and create value in market-leading companies.



## Our Markets

Abraaj focuses on global growth markets characterized by consumption-driven economies, pro-business policies, rapid urbanization, favorable demographics and growing consumer classes. Our target markets are ultimately select cities within our regions, where economic activity, consumption and entrepreneurial talent are concentrated.

## Our Strategy

Abraaj invests in emerging consumers and the fast-growing cities where they live. Our mid-market private equity strategies focus on consumer-facing businesses capitalizing on increasing disposable income, lifestyle changes and supply-demand gaps in cities across our markets.

Our sector-themed Funds are focused on addressing the needs of growing cities from all types of real estate and power plants to soft infrastructure like hospitals. While we target markets with compelling fundamental drivers at the macro level, our core view is that strong returns are generated by the ability to find, build/grow and exit exceptional companies and assets.

## Sustainable Value Creation

The Group has a dedicated team of operating professionals who work hand in hand with investment teams to actively drive value creation in partner companies, helping them institutionalize and grow.

Environmental, Social and Governance (ESG) factors are deeply embedded in our investment process and this has proven to be a value driver in our partner companies.

Responsible investing that enhances financial returns is at the core of our philosophy – we aim to leave a positive footprint in our markets and are a signatory to the UN-backed Principles for Responsible Investment and the United Nations Global Compact.

As of December 31, 2015. <sup>1</sup>Assets under Management (AuM) includes Net Asset Value (NAV) of all Funds managed by The Abraaj Group, undrawn capital together with NAV of co-investments managed by the Group, and the balance sheet capital of the Group. <sup>2</sup>Including Network International and Saham exits which were signed in 2015 and proceeds realized in 2016. Past performance is not indicative of future results and there can be no assurance that any Fund managed by Abraaj will achieve comparable results or be able to avoid losses.



# Message from the Founder and Group Chief Executive Arif Naqvi

Fellow stakeholders,

Welcome to the 2015/2016 Sustainability Report. Since our inception 14 years ago, much has changed at Abraaj and the world in which we operate. We started as a private equity firm focused on markets surrounding our Dubai headquarters. Today, we are a global financial services firm with investments and a stakeholder community that span the globe. Though our mandate and capital base have grown rapidly, our investment thesis remains the same.

We are squarely focused on growth markets where partnership capital deployment, value addition and local engagement lead to meaningful, sustainable outcomes. Where others might see frontier markets ripe with uncertainty, we see opportunity to help shape the very nature of new economies, ones we firmly believe are determining the world's future course.

Our commitment to sustainability is as unwavering as the day we founded our company. It is a business driver in our markets. The sustainability first approach has been validated by the value we have helped our partner companies create and the returns we have generated for our investors. I encourage you to explore this report and see how our investment professionals go about making that happen.

In growth markets, sustainability and strong performance go hand in hand. We invest in companies whose own investment in sustainability will have an outsized impact and encourage others to commit to similar standards to be competitive. When introduced by our partner companies, an emphasis on sustainability often

helps build market brand. Even more compelling, it generates new revenue streams and product categories.

For example, in this report, you will read about the efforts of Mouka, the second-largest Nigerian foam-mattress manufacturer, which devised an environment and zero-waste plan that led it to channel discarded scrap foam into a new product line for low-cost pillows.

An additional important differentiator for Abraaj and its approach to sustainability is the importance we place on benchmarking ourselves against international best standards rather than the requirements of an individual market. In our markets, we want to go beyond the minimum required. Elevating the standards is one of our ultimate goals and is what led us to embrace and ultimately become a signatory to the United Nations Global Compact on human rights, labor, the environment and anti-corruption.

As you will see in the report, at Crossland Logistics, a cross-border trucking company based in Thailand, we translated this responsibility into an action plan with company management to make sure primary and secondary (contract) drivers are both paid fair and equitable wages and receive full benefits. Though Thai law has no such labor provisions, we have seen a commitment to that equality measure lead to a fall in attrition rates of 30% and accident rates of 14% since we instituted the plan.

None of this is to suggest sustainability is an easy endeavor in our markets. Sustainable outcomes do not come fast and they do not come easily. Patience often requires us to introduce first-



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time tools to measure impact at our partner companies and then jointly agree on a plan to improve, often in geographies where governments usually have little regulation and consequently weak enforcement. But Abraaj is a firm that has built its reputation and success for its stakeholders by putting our faith in global growth markets. Their economic story in the modern era is now unfolding. We are here for the long haul as are our investors, many of whom share our belief that sustainability is a requirement for productive and inclusive economic growth. We look forward to continuing on that journey together.



# 2015 Sustainability Highlights Around The Group, Around The World

## The Abraaj Group Recent Activity

**c.US\$ 810mn**  
Amount Deployed

**c.US\$ 950mn**  
Amount Realized

**12**  
Number of Investments

**10**  
Number of Exits

### Awards

**‘Private Equity House of the Year for North Africa’ by Private Equity Africa Awards 2016**

**Special recognition award for ‘Large Cap Deal of the Year for the North Africa Hospital Holdings Group’ by Private Equity Africa Awards 2016**

Note: Information presented herein is from July 1, 2015 to June 30, 2016. Past performance is not indicative of future results. Nothing contained herein should be deemed to be a prediction or projection of future performance.

## Abraaj Partner Companies



**120,405**  
Number of Employees



**US\$ 6,386,201**  
Amount Spent on Training



**39,029,107**  
Number of Customers Served (B2C)



Hypermarkets



Airlines



Drug Retail



**443,640**  
Number of Clients Reached (B2B)



Electric Utilities



Packaged Foods



Hypermarkets



**23,447**  
Total Suppliers



**64%**  
% of Micro Suppliers Used



**30%**  
% of SME Suppliers Used



**6%**  
% of Large Suppliers Used

Formal SMEs contribute up to 45% of total employment and up to 33% of national income (GDP) in global growth markets and c.70% of MSMEs GGMs lack access to credit. (World Bank, 2015)

Abraaj’s partner companies are proud to support and provide access to national and regional markets by actively engaging MSMEs over the course of their operations.

Note: Information presented herein is as of December 31, 2015.





# Partnership Capital: A Model for Growth Markets



# In Conversation with Wahid Hamid and Jane Nelson



**Wahid Hamid**, Partner, The Abraaj Group. Wahid Hamid leads the Abraaj Performance Acceleration Group (APAG). The APAG team is central to The Abraaj Group's active involvement in driving the growth agenda and ensuring scalability of our partner companies.



**Jane Nelson**, Director of the Corporate Social Responsibility Initiative at the Kennedy School of Government, Harvard University, and a non-resident senior fellow at the Brookings Institution. She is a Board member of The Abraaj Group.

## GROWTH MARKETS

**Why does Abraaj believe that its partnership capital model thrives in growth markets and what are its key elements?**

**Wahid Hamid** In our view, the partnership capital model has three key elements. The first is our commitment to being strong and trusted partners for the companies we invest in. The second element is a focus on helping the private sector contribute not only to growth but also to improvements in governance, legal frameworks and government accountability. The third element is our unique ability to bring together a mosaic of investors: traditional investors alongside philanthropic and development finance institutions. These institutions bring not only capital but expertise in sustainable development and in building relationships with local and international stakeholders.

These three elements make us distinct and enable us to be a trusted catalyst for institutional development and for sustainable growth in the companies and communities we partner with. Our partner companies are often introducing new products, brands and ways of doing business in communities, so it's important we

build trust with them. That's why we take a broad approach to stakeholder engagement and why we ensure that ESG standards are critically embedded in our partner companies.

In many growth markets, local companies can't solely rely on their country's governance or legal systems for protection when dealing with third parties, so they do business with people they can trust. This is why vertically-integrated family businesses are so common and why they want not just capital but a trusted partner to help develop their business.

**WHY PRIVATE EQUITY?**  
**Why is private equity best placed to operate with this model in mind?**

**Wahid Hamid** We don't believe it is a one size fits all. Hence, not all private equity firms can make this model work as most firms focus on buying low, selling high and adding value in the process. At Abraaj, we invest for the long-term. Our healthcare strategy has a 10-year horizon, for example, and not the regular seven years that you see in other cases. This is partly because we are doing both buy and build: pulling together various traditional investment capabilities but



**We are looking at a variety of models that would allow us to invest even longer which makes our model of private equity well suited to a partnership capital approach.**

also operating and business-building capabilities. We're also looking at a variety of models that would allow us to invest even longer which makes our model of private equity well suited to a partnership capital approach.

**Jane Nelson** The partnership-oriented, longer-term manner in which we approach private equity is well placed to operate with this model. We bring together a variety of different investors to invest in high potential growth companies, not only providing these companies with capital but advising them too, helping them to strengthen their business capabilities and performance as well as their environmental, social and governance capabilities and performance.



**There is a huge opportunity to demonstrate how the partnership capital model can measurably help achieve specific development goals and generate strong financial returns.**

## APPLYING THE MODEL

**As a Board member of Abraaj, how do you see this approach put into practice across the markets and businesses that Abraaj invests in?**

**Jane Nelson** It gets put into practice in three ways. The first is through the world-class strategy, management and operations advice we are able to provide to our partner companies. The second is by using the proprietary Abraaj Sustainability Index and other ESG tools to support these companies to become better performers on sustainability issues. The third way is by using our shared learning platform so that partner companies can learn from others operating in the same sector or geography.

**PARTNERING WITH ESG IN FAMILY-OWNED BUSINESSES**  
**Family-owned businesses are common in growth markets. How readily have they incorporated sustainability?**

**Wahid Hamid** We have found that family-owned businesses incorporate sustainability most quickly when they appreciate the direct links with their strategic and commercial wellbeing. Acceptance of better governance is a

given, as its introduction is one of the main reasons they want to partner with us in the first place. Better labor practices and health and safety standards also get adopted quickly, as companies know that word can spread rapidly in the local community if they don't get this right.

Improving environmental performance is more difficult, particularly in companies that are not energy-intensive, where it hasn't been prioritized, and where responsibility for these issues has not been allocated. We have also found that some of our partner companies are limited in their ability to measure their energy and water usage, for example. This is why we're looking at introducing simple tools and technical assistance programs to help companies measure and improve their environmental footprint.

**PROMOTING THE MODEL**  
**How does Abraaj promote the partnership capital model with stakeholders in order to address global development challenges?**

**Jane Nelson** We do so in a number of ways. The first is through our core business of investing in and building partnerships with companies in sectors that can make a measurable

impact on these challenges, such as healthcare, consumer goods and energy infrastructure. Secondly, through our community investment activities and our employees engaging with partners, which range from Junior Achievement to the World Economic Forum and Royal College of Art, with a particular emphasis on initiatives to support entrepreneurship. Finally, we are active in multi-stakeholder, thought-leadership alliances that promote the role of business in society. Abraaj's Founder and Chief Executive, Arif Naqvi, is a member of the Global Commission on Business and Sustainable Development, which was established in 2016 to develop a compelling economic case for businesses to engage in achieving the Sustainable Development Goals. Arif was also recently appointed as a member of the B Team, which champions the need for businesses to be a driving force for social, environmental and economic benefit, and he serves on the Board of the UN Global Compact. These are valuable platforms and I know that the leadership at Abraaj is committed to driving real progress through such forms of stakeholder engagement.





# Sustainability at The Abraaj Group



# ESG in Growth Markets: The Abraaj Approach



## Enabling Sustainable Growth, Accountability and Engagement

The Abraaj Group is a leader in the private equity industry in many of the growth markets where it operates.

Our strong track record in Asia, Africa, Latin America, the Middle East and Turkey has enabled us to foster continued market growth and identify compelling investment opportunities. This mindset has allowed us to build a platform in which we can leverage the skillsets of our in-country investment teams, regional execution teams and central global functions to add value to our partner companies.

## Identifying Challenges and Opportunities for Responsible Investing

The markets we invest in, particularly Asia and Africa, are predisposed to a challenging environment when it comes to sustainability as a result of population growth, an increasing middle class, growing pressure on resources and direct impacts on climate change, water scarcity and labor practices. Cognizant of this, we have taken an ESG risk-management and value-creation approach in our investment strategy. We recognize the potential risks of investing in companies that do not have a formal environmental and social policy or management system, thereby missing opportunities for implementing energy efficiency programs. We are also mindful that companies which lack adequate life and fire safety systems or have poor workforce engagement and training can result in liabilities, risks to health and a dissatisfied workforce.

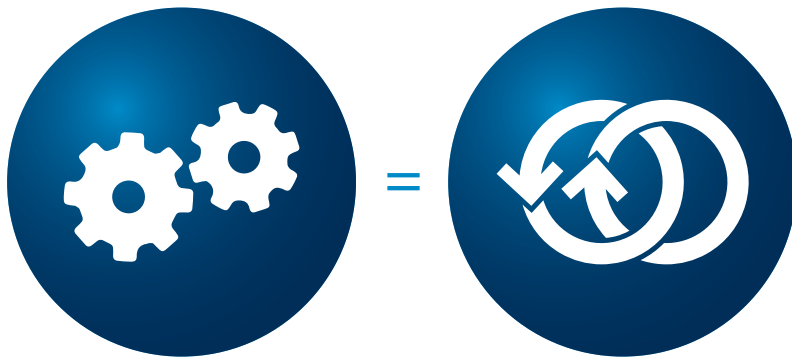
For example, in the mattress industry in Nigeria, we have been actively engaged with a family-run business to improve the fire safety measures of the company which in turn has reduced operational risks and

liabilities and given the company a stronger brand as a result of its commitment to protecting its workers.

In our e-commerce platforms, we have been proactive in guiding our companies to formalize environmental policies, implement energy efficiency programs specifically with their logistics operations, and institutionalize health and safety practices.

We further ensure that our partner companies adhere not only to the local regulations in the countries in which they operate but also to international best practices led by development finance institutions and international organizations such as the International Labor Organization.

Through our commitment to responsible investing we require that our partner companies adhere to the Abraaj ESG Business Principles. The Group is a signatory to the UN Global Compact and PRI, and sustainable businesses are core to our culture and values.



## Incorporating ESG Business Principles into the Abraaj Business Model

Our ESG Business Principles underline our ESG risk management approach to investing. These principles are clearly outlined in the Group's Environmental, Social and Governance Management System (ESG MS). As formalized in our ESG MS, we incorporate ESG considerations into traditional due diligence processes in order to understand how ESG risks and opportunities could impact the financial and strategic value of an investment.

Our ESG MS is a holistic approach to the Abraaj investment model. We evaluate ESG risks through an assessment of the impacts from a sector and company level. As part of our initial screening, we consider specific risks of each sector, such as regulatory/legal requirements, marketplace (such as changes in consumer or investor behavior) and material risks.

We then undertake an evaluation of the exposure of our prospective investments to these sector risks as well as the key ESG gaps and needs of the company to meet our business principles. A partner company's exposure to risk is a function of factors such as its management strategy, value chain and geographic location. Our investment teams undertake a comprehensive assessment of all these risks in order to develop a corrective action plan and identify priority ESG enablers. These ESG enablers are then incorporated into our value-creation plans.

**We aim to grow businesses which go beyond commercial success and become sustainability leaders in their own markets.**



**We ensure that our partner companies adhere not only to the local regulations in the countries in which they operate but also to international best practices.**

## Creating Value and Investing in Sustainable Growth

Once we make an acquisition, we assess what matters most in creating value and then set clear targets linking environmental and social performance to operational efficiency, human development impact and strong corporate governance. Abraaj invests in growth markets with a long-term horizon. Therefore, our investment teams consider not just the valuation of a company during due diligence but also the nature of ESG risks, liabilities and value-add associated with the company's operations and growth plans.

As an institution, Abraaj strives to invest in businesses that will maximize shareholder value through strong operational growth and substantial capital appreciation. Our ultimate objective is to realize value through structured exits to strategic and trade buyers or to public markets in the region and beyond. In doing so, we aim to grow businesses which go beyond commercial success and become sustainability leaders in their own markets.



## Building Strong Businesses: An Interview with Tania Choufani

# ESG drives the creation of systems and practices essential for sustained growth



**Tania Choufani**  
Head of Environment, Social and  
Governance, The Abraaj Group

**Q1. What defines Abraaj's approach to ESG and sustainability and what is particularly distinctive about it?**

We believe that ESG is a growth driver and the prerequisite of a sustainable, vibrant and market-oriented private sector.

We embed ESG throughout the investment process, from due diligence and operational management to exit, so that we leave a legacy imprint on the companies we invest in.

What makes us really distinctive as a private equity firm is that we have

developed a bespoke set of ESG tools, including a governance tool based on the South African King III code. We help companies progress through its four levels of governance sophistication, as we introduce codes of conduct and the right anti-bribery measures, for example. This progression is especially useful with family-owned businesses where minority shareholder interests and other ESG issues are typically not reflected in their governance models.

**Q2. What methods have you found most effective in helping partner companies build stronger businesses?**

Direct engagement is essential to build regional champions. We enable companies to integrate ESG not just into their business models but also

into their day-to-day operations. By being a strong partner and having representation on the Board, we can drive performance improvements.

It is also invaluable to get companies to recognize the impact ESG can have on their financial performance. An integral part of our role as a responsible investor is to identify a company's key ESG risks and opportunities and work with management in developing a robust action plan.

**Q3. Are there specific challenges relating to different types of markets and sectors?**

Sectors like manufacturing, construction and extractives have higher environmental and social risks and impacts compared to



Abraaj works closely with its healthcare businesses such as Al Kindy in Morocco to embed robust sustainability practices



**We enable companies to integrate ESG not just into their business models but also into their day-to-day operations.**

e-commerce or retail, so they require more in-depth due diligence. Greater due diligence is also needed in markets with weak enforcement of environmental regulations. This puts pressure on companies to have to apply and monitor best practice ESG themselves. This can create capacity issues, particularly for small companies trying to grow their business.

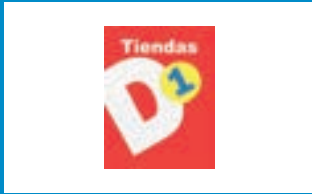
**Q4. On what ESG issues have you seen the most progress in growth markets and what are the priorities for improvement?**

We're seeing a lot more interest in renewable energy, partly because it has reached price parity with fossil-fuel-powered generation.

Likewise, there are stronger opportunities for making real improvements in key sectors like healthcare and energy, to generate measurable social and environmental benefits.

Major improvements could be made by encouraging innovation in ESG. For example, we facilitated sourcing of technical assistance for one of our partner companies – a women's hospital in Kenya – to install a state-of-the-art incinerator after our due diligence identified issues with its disposal of medical waste. The incinerator not only minimized the environmental, health and safety impacts and reduced disposal costs, but also gave the hospital a revenue stream by extending use of the incinerator to third parties.





# Koba



Country  
**Colombia**



Sector  
**Consumer Staples**



Date of Investment  
**December 2010**

## Company Overview and Investment Rationale

Koba operates a chain of medium-sized retail stores offering food and basic staples under the Hard Discount format. The stores handle c.500 different high-quality products (“SKU”) offered at the best prices in the market.

The company locates its stores in densely populated areas predominantly in middle-income neighborhoods, across several cities in Colombia. Koba’s low prices are achieved through its high buying power per SKU (stock-keeping units), its own distribution network, the elimination of intermediaries and by applying simple management principles at the stores and across all functions.

The Abraaj Group, through its Fund, invested in Koba in late 2010. At the time of the investment, the company had around 20 stores, an incipient organizational structure and a fragmented shareholder base, without the capacity to handle its ambitious growth plan. However, after studying successful Hard Discount cases in other regions, such as BIM in Turkey, Abraaj was convinced of the growth potential for this model in Colombia. Since the first Abraaj capitalization in 2010, Koba has grown at an accelerated pace, with the company’s stores expanding from 20 to 461 in less than six years.

## Sustainability Progress

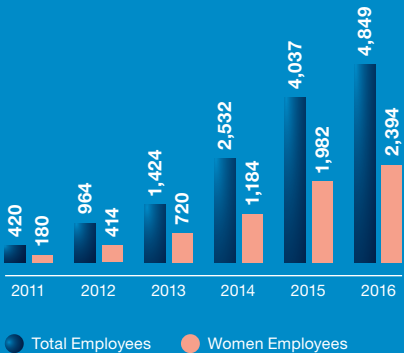
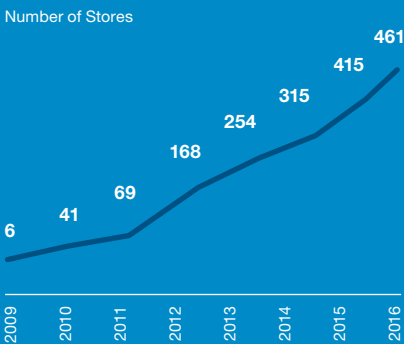
**Impact on Households and Communities:** Since Abraaj’s investment, Koba has had a noticeable impact on households and communities by giving access to high-quality food and basic consumer goods at more affordable prices, which can be up to 50% cheaper than those of traditional retailers. Combined with its expansion, Koba has been able to increase the number of customers served (tickets) to over 9 million per month.

Since inception, Koba has been an engine for employment generation, creating over 4,800 formal jobs of which 49% have been filled by women. Koba pays above-average wages, offers on-the-job-training, and provides unique opportunities for growth and career progression across the company. The company complies with stringent local labor standards, beginning with the

formalization of its HR policy and procedures to ensure the consistent application of the policy and practices across its regions.

**Multiplier Effect:** As part of the Hard Discount model, Koba has developed over 300 private labels or exclusive products, manufactured by local suppliers, which account for almost 70% of company sales. The rapid growth of the company has encouraged suppliers to invest and expand their businesses alongside Koba, creating additional jobs.

As the Hard Discount model has gained traction with consumers, dynamics in the basic staples retail space have shifted and traditional incumbents have been forced to become more competitive and offer higher value to customers.



## Looking Ahead

As Koba expands its geographic footprint, more communities will benefit from affordable basic goods and job opportunities. In Bogotá alone the company will expand by another 200 stores in the next two years. Based on current growth projections, Koba could become Colombia’s third-largest retailer by 2020.

Abraaj will continue to support Koba in the implementation of ESG improvements to become more energy-efficient, reduce waste, provide better on-the-job training and opportunities to employees and offer flexible working conditions to accommodate single-parent households, among others.







# Hepsiburada



Country  
**Turkey**



Sector  
**Internet Retail**



Date of Investment  
**February 2015**

## Company Overview and Investment Rationale

In 2015, The Abraaj Group invested in Hepsiburada, the largest online retailer in Turkey, through its Fund. Hepsiburada is the only multi-category retailer among the top five e-commerce players in Turkey.

Hepsiburada represented a compelling investment opportunity for a number of reasons. The company enjoyed a strong brand equity in the rapidly expanding Turkish online retail sector which is highly underpenetrated with online sales comprising 2.0% of the total retail market, compared to the UK and US averages of 12.6% and 9.2% respectively (as of 2015). Additionally, Hepsiburada enjoyed a dominant leadership position with a growing customer base significantly attributable to traffic from repeat visits and unpaid traffic sources.

In 2014, Hepsiburada had a product offering of over 500,000 stock-keeping units (SKUs) and served over 1.5 million customers. This has since increased to 1 million SKUs and over 2 million customers served in 2015.

## Sustainability Progress

**Striving Toward International Best Practices:** Hepsiburada opened its new custom-built 50,000 m<sup>2</sup> warehouse in 2015. At Abraaj's recommendation, following its relocation the company hired certification advisors and began the process for obtaining the ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety) certifications which is anticipated to be completed by Q4 2016.

**Enhancing the Health and Safety Culture:** Since investment, Abraaj has worked with Hepsiburada's management to build a health and safety culture at the firm which includes over 1,500 hours of training provided in 2015 covering a range of topics, including general health and safety, proper use of personal protective equipment, and emergency response. Additionally, daily on-site audits are undertaken at the new warehouse to capture gaps with corrective action plans regularly circulated to senior management,

on-site contractors and the operations department.

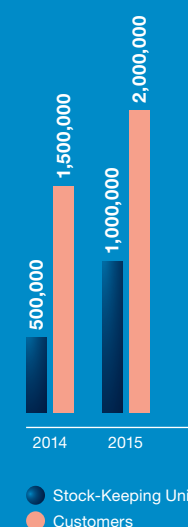
**Establishing Higher Standards Along the Supply Chain:** Prior to Abraaj's investment, Hepsiburada did not have a formal policy for supply-chain management. At Abraaj's recommendation, it is currently developing an extensive supply-chain management plan that includes an exclusion list of certain goods, a checklist-based system to identify supply-chain issues and risks, and a Code of Conduct for all suppliers.

Hepsiburada now includes an ESG Code of Conduct as a mandatory annex to all supplier and contractor agreements and seeks strict compliance from its suppliers. This ensures that goods sold on Hepsiburada's platform (e.g. apparel and electronics) are not sourced from suppliers with a poor record of labor working conditions and health and safety practices.

## Looking Ahead

Abraaj will partner closely with Hepsiburada to help implement ESG best practices with the primary focus centered on obtaining the ISO 14001 and OHSAS 18001 certifications by the end of 2016. Furthermore, Hepsiburada is committed to aligning its policies and procedures with established best practices by implementing its formalized supply-chain management procedures and finalizing its external communication procedures.

Hepsiburada firmly believes these ESG practices will enable it to holistically support the growth of Turkish SMEs by providing them with a platform to access millions of potential customers across Turkey. For example, there are currently more than 1,000 SMEs actively selling goods on Hepsiburada's marketplace platform. Additionally, these best-in-class ESG practices will enable Hepsiburada to become a choice online retailer and one of the top five non-grocery retailers in Turkey.







# Crossland Logistics



Country  
**Thailand**



Sector  
**Logistics**



Date of Investment  
**April 2012**

## Company Overview and Investment Rationale

Crossland Logistics Co. Ltd is a leading cross-border trucking (CBT) operator in Thailand operating c.75 trucks with c.175 employees. Crossland provides an integrated door-to-door logistics solution across Singapore, Malaysia, Thailand, Laos, Vietnam and Southern China.

The Abraaj Group, through its Fund, invested in Crossland in April 2012. The investment was premised on the fact that Thailand is a strategically located logistics and infrastructure hub in the Greater Mekong Sub-Region and would benefit from greater public and private sector investment.

Moreover, Crossland was an early mover within the region having established a profitable business supported by a fast-growing customer base. Crossland represented an attractive opportunity for Abraaj to grow the business into a larger regional logistics service provider.

## Sustainability Progress

**Employee Focus:** Shortly after investment, at Abraaj's recommendation, Crossland adjusted driver compensation levels to match industry standards and hired alternate drivers directly on to its payroll. This is uncommon in an industry where companies only pay their main drivers, who in turn pay the second drivers – usually at a significant discount and without the security of employment benefits. Crossland remains one of the few companies in the Thai CBT logistics space to provide direct employment to its secondary drivers. Having two drivers is critical on long-haul journeys as it improves driver safety and security and enables higher utilization of the trucks. As a result of these two initiatives, attrition rates have fallen by 30% and there has been a reduction in accident rates by 14%.

Abraaj worked with Crossland to upgrade the overall talent and skill level of its driver pool through the establishment of regular training programs. In addition, the Group played a key role in helping Crossland

set up a 24-hour Command Center in early 2015 to monitor its trucks and the driving patterns of its drivers in real time, resulting in better security and precise and faster delivery times.

**Improving Efficiency:** As part of the value creation plan, Crossland replaced its old fleet with higher-standard (Euro 3) trucks, reducing the company's carbon footprint and improving energy efficiency. Abraaj helped Crossland to put in place regular maintenance programs which reduced the probability of frequent truck breakdowns.

In addition, Abraaj helped design and implement a fuel-tracking and management system to improve fuel efficiency and reduce fuel costs. Fuel efficiency has improved from an average consumption of 2.8 km per liter to 3.2 km per liter. As a result of these initiatives, attrition rates fell by 30% and there has been a reduction in accident rates by 14%.

## Looking Ahead

Abraaj will continue to drive the implementation of ESG best practices particularly relating to the company's new fuel-tracking and management system, and driver-training programs which are of critical importance. The company has seen the benefits of implementing ESG best practices which have helped improve its EBITDA and gross profit by a CAGR of 60% and 16%, respectively, from 2013 to 2015.

30% ↓

Fall in attrition rates

14% ↓

Reduction in accident rates

## Fuel Efficiency

Before: 2.8 km per liter

After: 3.2 km per liter







# Libstar Holdings



Country  
**South Africa**



Sector  
**Fast-Moving Consumer Goods**



Date of Investment  
**October 2014**

## Company Overview and Investment Rationale

In 2014, The Abraaj Group invested, through its Funds, in Libstar Holdings (Libstar) – a leading fast-moving consumer goods company in South Africa which manufactures a broad range of quality private label and own-branded products for the rapidly growing South African food, fast-casual dining, household and personal care markets.

Libstar has a portfolio of over 3,500 products and a high-quality customer base which includes McDonald's South Africa, Woolworths and Tiger Brands.

With strong potential for organic growth, Libstar is well positioned to take advantage of key market trends such as grocery consolidation, the rise of private label and quick service restaurant (QSR), which are forecast to expand steadily given current low penetration rates. A compelling attribute of the investment opportunity was Libstar's long-standing relationship as a leading supplier to major retailers and global QSR chains with a consistent track record as a safe and reliable manufacturer in a market characterized by small players. Further, the management team has demonstrated a unique ability to identify, bolt on and successfully grow complementary businesses, expanding Libstar into a 28-business-unit conglomerate in the past 10 years.

## Sustainability Progress

### Improving Health and Safety:

As a company dedicated to incorporating good ESG practices, Libstar has embedded ESG into its business model to address gaps and drive long-term value. Firstly, Libstar appointed a Group-level EHS Manager as an initial step toward building a deeper ESG culture. The EHS manager has oversight over Libstar's diverse business units and ensures consistency of practices and procedures across these units and reports directly to the Social and Ethics Committee and to the Board of Directors.

### Strengthening Governance:

As a next step to further augment its ESG practices, Libstar is in the process of developing a supply-chain governance strategy which will cover all of its operating sites. This strategy was initiated by developing the Supply Chain Governance

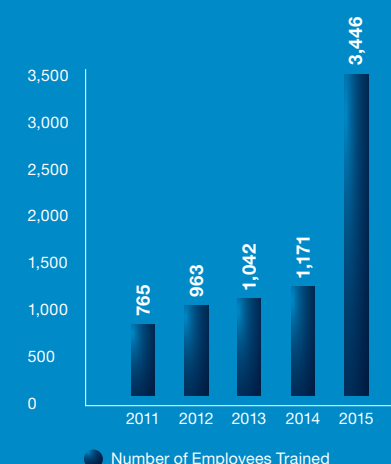
Manual which includes all the Group's policies and requirements including a system of mandatory compliance with internationally accepted standards. This will be required of each of the individual operating companies. The core standards include Product Quality, Product Safety, Occupational Health and Safety, Environmental Management Systems and Physical Asset Care. The implementation target date is the beginning of 2017, with compliance audits to take place in Q2 2017.

Additionally, a Social and Ethics Committee has been established to monitor the company's activities with regard to relevant legislation, legal requirements and prevailing codes of best practice. The Social and Ethics Committee meets biannually and provides an update to the Board, where ESG is a key agenda item.

## Looking Ahead

For the remainder of 2016, Libstar will focus on the continued implementation of its corrective action plans. Libstar has addressed 75% of the action plans identified by Abraaj at the time of investment.

As part of its supply-chain management strategy, Libstar has held three-day training sessions and workshops in Cape Town, Johannesburg and Durban to educate its workforce in the Supply Chain Governance Manual. Libstar intends to complete these training sessions with five sessions expected to be delivered over the next two months. In addition to these initiatives, Libstar will roll out five core standards across all its companies by December 2016 (Product Quality, Product Safety, Occupational Health and Safety, Environmental Management Systems and Physical Asset Care).







# Mouka



Country  
**Nigeria**



Sector  
**Consumer Discretionary**



Date of Investment  
**June 2015**

## Company Overview and Investment Rationale

Founded in 1959 by the Moukarim family, Mouka is a leading manufacturer of mattresses and bedding products. The company has grown to become the second-largest foam-mattress manufacturer in Nigeria.

The mattress manufacturing industry in Nigeria is highly fragmented, with Mouka retaining a c.15% market share. Mouka's product categories are mattresses, raw foam blocks and lifestyle products.

Aligned with the Group's mandate of investing in well-managed, high-growth businesses, Abraaj identified an attractive opportunity to invest in Mouka through its Fund. In engaging with Mouka, the Abraaj investment team saw an opportunity to leverage the company's market position and leading brand name to grow and capture additional market share. Furthermore, the Abraaj team saw clear areas for value creation that could be achieved with the Group's support.

## Sustainability Progress

### Enhancing Fire Safety

**Practices:** Mouka lacked adequate fire safety practices, which resulted in a number of fire incidents prior to Abraaj's investment. Abraaj assisted with identifying and selecting an international health and safety consultancy to conduct a comprehensive review of the company's fire-prevention/suppression mechanisms and electrical infrastructure. Following the review, the company has rolled out a proprietary method to segment its curing hall (area where foam blocks cool off after being formed) with fire-resistant brick walls to prevent fires from spreading across the curing hall and improved fire-resistant roofs within the production areas. As a result, there have been zero fire incidents to date since Abraaj's investment.

### HSE Culture and Corrective

**Action Plan:** Abraaj has worked with Mouka to develop a robust health and safety culture beginning with the appointment of a Health, Safety and Environmental (HSE) Manager. Abraaj engages with the HSE manager on a bi-weekly basis to review progress against the action plan developed at the time of investment. The action plan has a wide range of initiatives including improving the working conditions, environmental performance and operational efficiency of the company. Key achievements to date include: upgrades to the storage infrastructure; improved bunding around above-ground tanks; improved procedures related to the transportation and handling of chemicals; and implementation of waste-management plans at each facility.

**Minimizing Wastage:** From a product sustainability perspective, Mouka has also developed a line of mattress and pillow products that are 100% made from recycled scrap material. The production process of the foam mattress naturally creates wastage in the form of foam crumbs. Mouka recognized an opportunity to compress them to create high-density mattress products and pillows using specialized equipment at each of its factories. As a result, none of the foam waste produced from the primary product lines is disposed of. This in turn has reduced the company's total waste and improved efficiency. Additionally, these products contributed c.5% to the company revenues during FY 2015.

## Looking Ahead

The Abraaj team has been actively engaged in the implementation of the company's corrective action and value creation plan. Since 2015, Abraaj has worked with Mouka to achieve 62% of the targeted action items.

For 2016, the main goal is to continue to achieve progress with these corrective actions. The key tasks include implementing recommendations such as undertaking an electrical and fire safety audit, installation of additional eye-wash stations for employees who work with and around chemicals, and training of the Mouka truck drivers on road safety.



Worker safety and a strong HSE culture is a priority in Mouka's factories





# Oncologie and Diagnostic du Maroc



Country  
**Morocco**



Sector  
**Healthcare**



Date of Investment  
**December 2014**

## Company Overview and Investment Rationale

Oncologie and Diagnostic du Maroc (ODM) is the largest healthcare platform for oncology and diagnostics services in Morocco. In 2015, ODM served more than 56,000 patients and offered more than 43,000 radiotherapy sessions.

The platform is composed of two centers, Clinic Al Kindy and Clinic Menara, that an Abraaj managed Fund acquired in December 2014 and September 2015 respectively. ODM offers cancer treatments including radiotherapy, chemotherapy, brachytherapy, medical imaging, as well as a number of related oncology services. Abraaj recognized the Moroccan oncology diagnostics and treatment market as being underserved and identified ODM as a highly scalable opportunity with the capacity to become a leading national platform for oncology and diagnostic services.

## Sustainability Progress

**Improving Patient Safety and Wellbeing:** Abraaj's sustained support to ODM has been instrumental in the enhancement of ODM patients' comfort and employees' security. In late 2015, Abraaj invested in an extension of Al Kindy to launch new services and to offer a larger and more comfortable waiting area for patients with a section reserved for children. As a result, there has been a reduction in obstruction of staircases and emergency exit routes which were previously blocked due to the large volume of families in this area, optimization of the flow of traffic, and a reduction in health and safety hazards. Additionally, patient separation and waiting times have been improved, thereby enhancing patients' treatment conditions and improving employees' working conditions and security.

**Standardizing Environmental, Health and Safety Practices:** ODM has appointed a Group Head of Operations responsible for implementation and monitoring of environmental, health and safety (EHS) practices. The Group Head of Operations, with Abraaj's guidance, is in the process of (1) upgrading Clinic Menara's practices to Al Kindy's alleviated level and (2) standardizing the EHS practices through the development of a formalized Environmental and Social Management Systems (ESMS) at the holding level – which will then be implemented across the whole platform. In addition, the Al Kindy Clinic recently completed an energy audit and identified several opportunities for cost savings, the benefits of which are currently being assessed prior to implementation.

**Formalizing HR policies and procedures:** Since its investment, Abraaj has supported ODM at the Group level in formalizing written contracts to ODM employees across its facilities, increasing wages for employees earning below minimum wage and providing social benefits insurance to employees that were not covered before. This goes beyond the standard practice in Morocco where declared employees only represent c.30% of the employed population in the private sector.

## Looking Ahead

Abraaj's objective is to build the leading oncology and diagnostics platform in Morocco. Abraaj's investment and ESG teams will continue to actively support ODM in finalizing the standardization of EHS practices and formalizing HR policies and procedures. By early 2017, ODM aims to have a fully integrated environmental, health and safety management system; to have ensured the installation of a comprehensive fire alarm system in both centers and the creation of a formalized emergency plan; and to have completed an energy audit for the Al Menara Center.



Patient-centered care is a key feature across Al Kindy and Al Menara Clinics in Morocco



# Building Alliances to Deliver Global Goals

In the last 50 years the world economy has expanded sixfold and average per capita income has almost tripled. Yet not everyone has benefited from this growth and our world remains plagued by growing levels of inequalities. With an increasing population aspiring to improve living standards and quality of life, our societies and communities face immense challenges which must be tackled today if we want to leave a more sustainable and prosperous world for our future generations.

## Business and the Social Compact

In order to deal with the magnitude, urgency and complexity of these challenges, an unprecedented unity and alignment between private sector, governments and civil society is needed. The Sustainable Development Goals (SDG) provide a framework developed by all stakeholders to contribute their skills, intellectual property, capital and funds to long-term sustainable models for growth across all nations.

At Abraaj we have always believed that our business and the companies we invest in are part and parcel of a broader social and economic fabric. Our ultimate objective is to reward shareholders whilst serving our stakeholders at the same time. Our track record since inception consistently demonstrates our commitment to building partnerships and alliances with NGOs, international and regional organizations and national governments to offer our thought leadership, innovative capabilities and business acumen to create an environment for resilient long-term growth.



As a private equity investor across a multitude of sectors in growth-market cities, Abraaj contributes to numerous SDGs through the core of our business. We follow a disciplined approach to best practices, launching our partner companies on to a journey of long-term sustainable growth.

### Some examples include:

- Our investments in educational platforms in North Africa and Asia provide affordable and quality education and contribute to SDG 4 which calls for inclusive and equitable quality education and the promotion of lifelong learning opportunities for all.



Our investments in educational platforms in South East Asia provide affordable and quality education to students



**At Abraaj we have always believed that our business and the companies we invest in are part and parcel of a broader social and economic fabric.**

- Our focus on investing in cities and our strategic stakeholder partnerships contribute to SDG 11 which calls for sustainable cities and communities. Our current energy infrastructure strategy which is focused on renewables supports SDG 7 which calls for affordable and clean energy for all.
- Our healthcare strategy is using Partnership Capital (SDG 17) to build a healthcare services group that delivers sustainable, affordable and accessible services to low- and middle-income communities in South Asia and Sub-Saharan Africa (SDG 3). As with all Abraaj investments, our healthcare strategy is focused on supporting local entrepreneurs to grow their businesses and increase local hiring (SDG 8).

## Forging Global Alliances

The recognized leadership of Abraaj and our Founder and Group Chief Executive resulted in Arif Naqvi being invited to join the newly created Global Commission on Business and Sustainable Development. Co-chaired by the former United Nations Deputy Secretary General Lord Mark Malloch-Brown and Unilever CEO Paul Polman, the Global Commission has been launched with five objectives at hand.

- To decode the Sustainable Development Goals (SDGs) and show why it makes sense for businesses to engage in sustainable development at a far more strategic level than they have to date.





## Abraaj executives participated in several forums to advance long-term value-creation thinking in the industry.

- To show how new business models can align profitability with social purpose.
- To map out how new financial tools can crowd in private capital and align economic and social returns.
- To show how business, government and society can work effectively together to build the partnerships needed for SDG delivery.
- To quantify the efficiency gains in achieving sustainable development if business is fully aligned with the SDGs.

The conclusions and proposals of the commission will be released over the next 12 months.

In order to launch momentum behind the SDGs, Abraaj collaborated for a third year running with the Business for Peace Foundation in Oslo. The Business for Peace Foundation was initiated in 2007, in the belief that socially responsible and ethical initiatives should not be merely window-dressing, but must stand the test as a business case. The aim of the Foundation is to accelerate the development of business practices through increasing the awareness of the strengths of the ethical business case.

In May 2016, Abraaj collaborated with the Foundation and Unilever to develop a pledge that



Frederic Sicre, Managing Director at The Abraaj Group, speaks on tackling key challenges around food security and health at the FT-IFC Transformational Business Conference in June 2016

In July 2016, Abraaj's Founder and Group Chief Executive Arif Naqvi was invited to become a member of the B Team, and join co-founders Sir Richard Branson, Jochen Zeitz and 18 other global leaders from business and civil society in their collective effort to redefine the role of business as a force for social, environmental and economic benefit.

Mr Naqvi's particular areas of focus will be the '100% Human at Work initiative', which seeks to inspire a movement of business leaders who will lead their businesses through the principles of equality, respect, growth, belonging and purpose. He will also be working with fellow B Team leaders on the 'Fostering Collaboration' and 'Creating Thriving Communities' initiatives.



**Business cannot succeed in societies that fail. Being part of the B Team enables us to amplify our collective efforts in building sustainable businesses and communities that ensure dignity, respect and fair values.**



From left to right: Prime Minister of Norway Erna Solberg, The Abraaj Group Founder and Group Chief Executive Arif Naqvi, Confederation of Norwegian Enterprise Director-General Kristin Skogen Lund and Unilever CEO Paul Polman with the pledge to support the SDGs at the Oslo Business for Peace Summit in May 2016

business leaders attending the annual gathering of Business for Peace could endorse as a sign of their commitment to contribute to the SDGs through their business activities. Our Founder and Group Chief Executive Arif Naqvi and Paul Polman, CEO of Unilever, led this initiative in Oslo which resulted in over 180 business leaders formalizing their commitment. On May 2, Arif Naqvi and Paul Polman presented the pledge to Norwegian Prime Minister, Erna Solberg, in her capacity as co-chair of the SDG Advocacy Group at the United Nations.

The convictions with which we run our business at Abraaj blend a passion to build sustainable business with a passion to build sustainable communities. Our approach, track record and keen desire to share our views on the role of business in development lead to many invitations by governments and international organizations to participate in gatherings, task forces and conferences.



**Our passion for building sustainable communities mirrors our passion for developing sustainable companies.**

Abraaj executives participated in a myriad of meetings and forums to advance long-term value-creation thinking in the world of finance and industry throughout the year. In 2016 we spent substantial time contributing to the formulation of the SDGs through UN-led roundtables. Abraaj was present at the Financing for Development Convention of the United Nations in Ethiopia in July 2015 as well as at the historic UN General Assembly in September 2016 which saw 180 heads of state endorse the SDGs.

## Looking Ahead

At Abraaj, we recognize our role and ability to affect long-term economic and social development in growth markets as agents of change. This is exemplified in the way in which we deploy capital, with strong ESG practices and a focus on enhancing productivity and creating regional champions through strong commercial discipline, as well as through our engagement in stakeholder dialogue and partnerships, to strengthen the field of sustainable investing more broadly.

We have an active year ahead as we work collaboratively with our partners to deliver on our long-term objectives. The SDGs have given businesses the opportunity to bring their expertise, networks and resources to bear in achieving goals that can be transformative for society. We are committed to playing our part in this endeavor and to demonstrating how the private sector can create financially sustainable business models that deliver strong returns and achieve high impact.



# Innovating Sustainable Business Models





# Emerging Consumers, Emerging Cities: In Conversation with Sev Vettivetpillai



**Sev Vettivetpillai**  
Partner, The Abraaj Group

**Cities in growth markets offer some of the greatest investment opportunities and challenges. Can you outline these and how you assess cities' ability to make the most of these opportunities?**

To put it very simply, the opportunities are that these cities have young populations, an expanding middle class and increasing disposable incomes. The challenges are that many of these cities lack basic services and sufficient infrastructure. This creates a huge vacuum, but also an opportunity for the private sector to go in and create a positive economic and social impact. This is why we are looking to invest in healthcare and energy infrastructure in targeted cities in Sub-Saharan Africa and South Asia.

Sustainability is at the heart of our strategy for Abraaj's thematic investments. It has to be. You can't make successful investments in sectors that have enormous impact without addressing the broader concerns of external stakeholders.

In my view, a key criterion for city selection is how open and receptive

the government is to private sector involvement. Today, governments in many of the markets where we invest recognize that they have to be accountable to their electorate. So we are seeing liberal and reform-oriented governments that are encouraging the development of new business models that can reach the mass or middle-income markets.

**How can private equity help address factors relating to historic underinvestment?**

At a macro level we can work with governments to improve policies. In Ethiopia, for example, foreign investors have not been allowed ownership rights in healthcare, so we have been working with the Ministry of Health to understand their needs and show them what we have been doing for healthcare provision in other parts of Africa. The government is now willing to put structures in place that allow the private sector to build healthcare ecosystems in the country.

Private equity can also play a critical role in addressing some of the issues at a micro level, such as the management capability of existing

local firms, human capital, skill levels and the availability of technology. But some of these issues can only be properly addressed by working closely with governments and other stakeholders, which is why it is so important for us to have teams on the ground that understand the local environment and can help shape ecosystems to support the development of particular sectors.

**What does sustainability mean for Abraaj across its thematic businesses?**

Healthcare is at the core of the economic equation. You can't expect poor healthcare services not to be a brake on growth in the main economy. That is why we address the triad of affordability, accessibility and quality, so that we can reach the mass market. But we also have to create models that are financially independent and sustainable.

It is also vital to ensure that our investments don't take anything away from the rest of the system. In Lagos, for example, there are just 600 private hospital beds for a population of over 13 million people. If you expand private provision there, without training more doctors and nurses at the same time, you risk creating a hole somewhere else

**“You can't make successful investments in sectors that have enormous impact without addressing the broader concerns of external stakeholders.”**

in the health system and further compounding the situation.

Likewise in our energy infrastructure strategy, we recognize that clean-energy sources in growth markets typically have to be introduced alongside conventional systems that crucially offer sufficient base loads – i.e. energy available 24/7, 365 days of the year. Our aim then is to address the need for more power in a responsible manner.

In real estate, we look to invest in mixed-use developments that will have a wider beneficial impact on a city's development. Warehouse space, for example, is in short supply in many cities and is crucial to the distribution of goods and to growth. Hence, we look at developments that can contribute positively to the human and economic landscape of our markets.

**How does Abraaj address corporate governance challenges in its partner companies?**

Our starting point is that governance is more about mindsets than systems. If you choose the wrong partner, who doesn't share your mindset, it doesn't matter what processes and practices you put in place – you will face an issue with that company.

Our external due diligence can't really tell us whether a potential partner shares our mindset. It's only in the discussion phase with a company, when you're developing a relationship, that you can really test this. So we look to see how open, forthcoming or closed a company is when discussing difficult issues with us. We would probably walk away from an investment if a potential partner didn't reveal a contentious issue with us upfront.





# Strong Returns, High Impact: The Healthcare Paradigm

Historic underinvestment, complemented by a rising middle class and urbanization in growth markets, is driving a need for infrastructure and innovation that can deliver quality healthcare that is accessible and affordable. As Abraaj continues to expand its healthcare portfolio, a focus on ESG remains paramount. We believe that a sustainability-driven approach with an emphasis on long-term impact is fundamental to the success of our healthcare strategy.

## The Building Blocks

Delivering accessible, affordable and quality care is the centerpiece of our healthcare strategy. However, we recognize that this approach can often be a challenge in the markets where we invest. Clinical care delivery is often fragmented and there has traditionally been a dearth of quality healthcare providers, particularly at attractive price points.

The vision for our facilities over the next 10 years and beyond is to provide high-quality, affordable care in:

- Acute and outpatient primary, secondary and tertiary care services across the specialties for patients who need immediate and chronic care provided through facilities that include ER, ICU and mother-and-child facilities.
- Integrated services developed in conjunction with primary care, social care and community facilities and partners, so that clinical care can be delivered within the community and is well supported by GPs, allied

healthcare providers and community healthcare workers.

The aim of our broader strategy is to ensure that Abraaj's healthcare investments and their facilities deliver high standards of clinical safety, improved clinical effectiveness and positive patient experiences and outcomes. We believe that if we can deliver high-quality care in a sustainable manner from the outset, then this is likely to have systemic benefits in terms of ensuring a healthier population, higher productivity and greater cost-effectiveness.

This approach is particularly important in an environment where the affordability of quality care is inexorably linked to financial efficiency. In order to achieve this, our institutions also need to embrace the right culture – one that values human capital as its greatest asset – so that our staff can deliver these expected standards with compassionate care.



**Delivering accessible, affordable and quality care is the centerpiece of our healthcare strategy.**



Abraaj is committed to bringing the highest standards of care to its hospitals in Sub-Saharan Africa

## Higher Quality, Lower Costs

Today, there is a growing body of evidence that validates the relationship between improving quality and achieving a reduction in healthcare costs. We are committed to ensuring that our healthcare investments work on a clinical effectiveness program regardless of the types of facilities available and complexity of services delivered. Central to this is reducing avoidable harm, ensuring low mortality and low complication rates, and delivering care that is patient-centered.

Where possible, our guiding principles around quality are based around adapting tried and tested models used in other major global healthcare systems (for example, the Institute for Healthcare Improvement; Institute of Medicine; the National Health Service; or the Monitor Organization's Quality Governance Framework). Many of our hospitals have initiated the WHO Safe Surgical Checklist and will use an early warning score to identify higher-risk inpatients more quickly.

This is in addition to leveraging the learnings from our strategic partners who bring valuable experience and resources that can only be accretive to our aspirations.

Integral to the success of our strategy are the action plans and frameworks that monitor, implement and guide performance at multiple organizational levels. A central component of this standardization is achieving, maintaining and monitoring internationally accepted accreditation of our healthcare

facilities – for example, Safe Care, COHSASA (The Council for Health Service Accreditation of Southern Africa), NABH (National Accreditation Board for Hospitals and Healthcare Providers), or JCI (Joint Commission International) registration. Our commitment to these standards is demonstrated by the fact that our large tertiary greenfield facilities are being designed from the outset to follow JCI guidelines, still a rarity across much of South Asia and Sub-Saharan Africa.

To support quality and learning centrally, an Abraaj Chief Medical Officer Council consisting of all the Medical Directors from our healthcare networks has been established. The Council meets regularly to ensure compliance and sharing of best practice and learning across all facilities. The Council is exploring the development of key clinical practice and governance themes (e.g. developing an ethics framework and performance management) and the establishment of tools to ensure a consistent quality approach is cascaded back to the providers of clinical care.



**Our guiding principles around quality are based around adapting tried and tested models used in other major global healthcare systems.**



# CARE Hospitals



Country  
**India**



Sector  
**Healthcare**



Date of Investment  
**January 2016**

## Company Overview and Investment Rationale

CARE Hospitals was founded in 1997 by a team of leading Indian cardiologists and today operates 17 hospitals in nine cities with over 2,000 operational beds. It is India’s fifth-largest healthcare player. CARE represented an opportunity for Abraaj to invest, through its Fund, in one of the leading healthcare providers in India with outstanding tertiary-care facilities and deep pools of talent, an established business model in terms of operations, systems and processes, and an innovation-oriented organization with a high degree of visibility for its expansion strategy.

**Embedding Quality and Efficiency:** Quality clinical outcomes are central to CARE’s mission. CARE Hospitals follow evidence-based medical practice with an emphasis on redesigning operational and clinical processes to minimize costs particularly for lower-income customers. By driving clinical efficiency, this allows CARE to reduce the per-unit cost by increasing the effectiveness of the overall system.

Likewise, using standardized management protocols for a large number of clinical conditions allows CARE to maintain consistency in quality treatment. Protocol adherence is measured across CARE Hospitals to improve compliance and adherence to quality. To support this, each hospital has a quality manager who helps track 64 core quality measures that are discussed on a monthly basis, with an action plan set in place for improving these quality indicators.

As Abraaj builds out its healthcare platform in South Asia and Sub-Saharan Africa, CARE has the potential to be truly catalytic, given it is a center of excellence and can provide high-quality and accessible healthcare services through a referral hub to patients within India and subsequently to other markets. CARE will act as a center and model for training and upskilling of medical talent and ensure the deployment of managerial best practices across our global healthcare network.

In the longer term, Abraaj will further upgrade its healthcare investments by working together with the wider CARE partnership in diligencing facilities in other markets and bringing the services, from both a facility and clinical perspective, to agreed standards of quality.

Over time, our objective is to raise the local quality standards of facilities and personnel to ensure a common platform globally across Abraaj’s operating markets and assets. CARE Hospitals will play an instrumental role in furthering this goal.





# Accessible Energy, Sustainable Power

Access to affordable, reliable and sustainable energy is vital to driving economic growth and ending extreme poverty. At present, World Bank statistics indicate that around 1.1 billion people worldwide still live without access to electricity. Demand for energy infrastructure is most pronounced in growth markets where macro drivers such as strong demographics, a rising middle class and urbanization, along with historic underinvestment, have significantly increased the need for greater investment.

The annual funding required to meet forecast energy demand in Africa to 2040, for example, is c.US\$ 95 billion and there is planned investment of US\$ 40 billion into India's power transmission network as part of the government's 13th Plan.

Unfortunately, current investment in energy infrastructure in growth markets lags far behind the levels required to sustain GDP growth. While governments have realized the importance of energy infrastructure to national competitiveness and overall economic development, constrained public resources and rising budget deficits have limited their ability to allocate sufficient capital toward infrastructure investment. Against this background and given the scale of the required investments, governments are now actively enlisting the private sector to bridge the funding gap.

Abraaj is well positioned to capitalize on the opportunity to invest in clean energy infrastructure given the deep sector expertise of the dedicated energy infrastructure

team and the Group's understanding of the energy sector, both conventional and renewable, in growth markets. Abraaj firmly believes that private sector solutions will provide much-needed capital and expertise to enhance efficiencies, reduce costs and promote long-term economic growth.

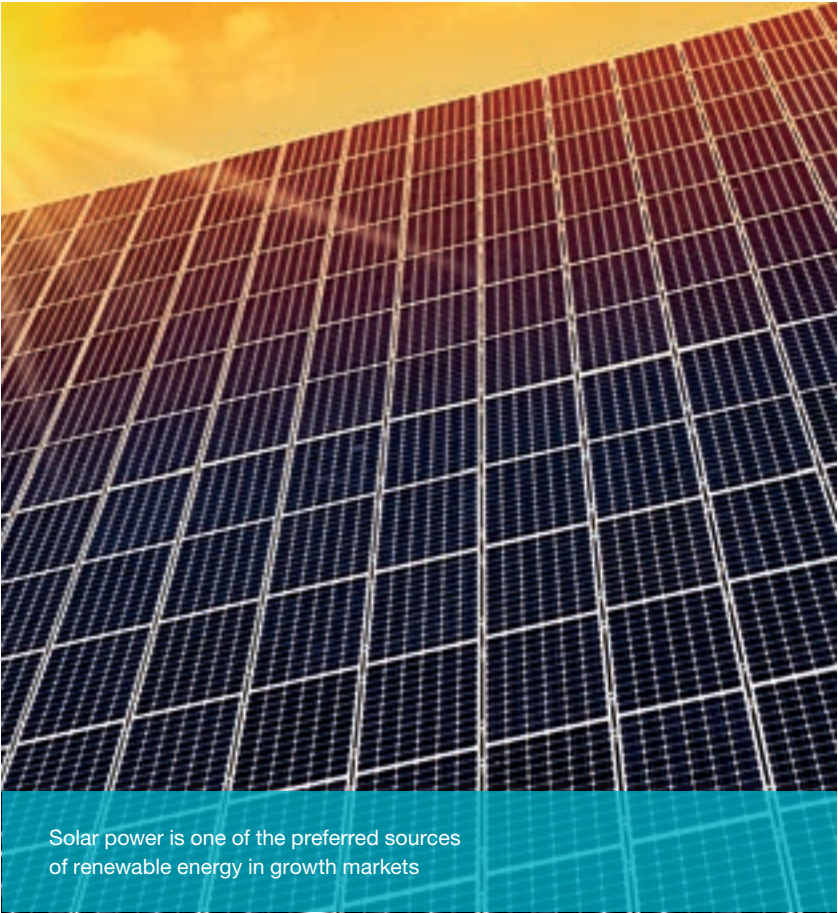
## Clean Energy: A Case for Change

Our energy infrastructure strategy is premised on establishing a clean-energy platform dedicated to investing both development and growth capital in clean-energy assets across growth markets. By deploying early-stage capital, Abraaj will be able to support energy infrastructure projects from their inception, unlocking a supply of quality energy assets developed on a proprietary basis that will enable us to effectively address the large power deficit in the markets in which we operate.

Our investment approach in energy infrastructure is structured around key pillars such as geography, asset

lifecycle and a focus on renewable power generation.

- Our geographic focus is built around core markets that are benefiting from macro trends such as urbanization, a rising middle class and demographics. These markets present a deep pipeline of actionable investment opportunities supported by favorable energy security policies and regulations by government.
- In terms of asset lifecycle, we will focus primarily on greenfield projects. This is driven by the reality that in many growth markets, new energy infrastructure must be built given 1) lack of existing operating assets due to historic underinvestment and 2) where there are assets, often they tend to operate at sub-par levels of efficiency and exert a strong carbon footprint. Brownfield investments will also be considered in cases where growth capital is required for expansion, rehabilitation and efficiency enhancement.



Solar power is one of the preferred sources of renewable energy in growth markets

**“We will be developing renewable energy projects with sustainable practices that will endure beyond the term of our investment.”**

- Furthermore, within power generation we have a strong preference for renewables especially as advances in technology have now made renewables a real solution to the energy needs in growth markets. Our aim, however, is to invest in and develop good-quality, clean-energy projects that contribute to increasing the generation capacity of the countries we invest in (from baseload

power through, for instance, hydroelectric power generation to incremental wattages via installations of wind-power plants).

## ESG Considerations Across the Asset Lifecycle

ESG, as one of the key value levers, is a crucial component of every project. We actively engage with our investment team from the time of development and appraisal of a project to identify potential areas of risk and to ensure that our due diligence frameworks and impact assessments deep-dive into key areas such as the quality of consultation with local communities, protection of cultural heritage, human and land rights, and biodiversity.

We further require our partners to develop comprehensive environmental and social management systems which go beyond local regulations and are in line with IFC Performance Standards and international best practice for occupational health and

safety, labor and working conditions, and security management.

Embedding ESG at the development stage will ensure the deployment of sustainable practices throughout the value chain of the energy infrastructure assets. We believe it is important that our partners implement high standards of ESG practices both at the company level as well as through their engagement with third parties including contractors, suppliers and wider stakeholders.

As we focus on delivering our clean energy investments, Abraaj's ESG experts will be fully engaged, taking a collaborative role to guide deal teams in the development of these greenfield projects.

**“Abraaj will be able to support energy infrastructure projects from their inception, unlocking a supply of quality energy assets.”**



# Meeting the UNGC Principles

Abraaj is committed to meeting the 10 Principles of the UN Global Compact (UNGC). The table below directs readers to relevant sections of the Abraaj Sustainability Report 2015/16.

Principle	Definition	Page
01.	Businesses should support and respect the protection of internationally proclaimed human rights; and	24-25
02.	make sure that they are not complicit in human rights abuses.	24-25
03.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	16-17, 22-23
04.	the elimination of all forms of forced and compulsory labour;	16-17, 22-23, 30-31
05.	the effective abolition of child labour; and	16-17, 22-23
06.	the elimination of discrimination in respect of employment and occupation.	16-17, 20-21, 22-23, 24-25, 30-31, 32-33
07.	Businesses should support a precautionary approach to environmental challenges;	12-13, 16-17, 22-23, 28-29, 32-33
08.	undertake initiatives to promote greater environmental responsibility; and	12-13, 16-17, 18-19, 22-23, 24-25, 28-29, 32-33
09.	encourage the development and diffusion of environmentally friendly technologies.	16-17, 22-23, 24-25, 28-29, 32-33
10.	Businesses should work against corruption in all its forms, including extortion and bribery.	16-17, 18-19

# Performance Notes

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