



Qalaa Holdings Communication on Progress for 2016

JANUARY – DECEMBER 2016

This COP is available to all our stakeholders
on our website: qalaaholdings.com

Statement of Continued Support by the Chairman and Founder of Qalaa Holdings

To our stakeholders:

I am pleased to confirm that Qalaa Holdings reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Ahmed Heikal,
Chairman and Founder, Qalaa Holdings

Description of Actions



Human Rights

At Qalaa Holdings, 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. 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 2015 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.

Labour

Qalaa Holdings is 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 91 full-time employees, with the following gender breakdown: approximately 81 percent of full-time employees are male, with the remaining 19 percent being female. It is notable that 82 percent of full-time female employees are in middle management, 18 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 (41 percent), with approximately 19 percent between the ages of 25 and 30, and 13 percent between the ages of 51 and 60. In terms of staff turnover, 10 employees left the company in 2015, in contrast to 7 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 105 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.

Environment

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 GIIIN 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.

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 SO₂ emissions. This equates to a 29.1% reduction in the total amount of SO₂ currently emitted in Egypt from the burning of sulfurcontaining fuels such as fuel oil and diesel.

Tawazon Our subsidiary for investment in the solid waste management industry, has been providing biomass and RDF as alternative fuels to heavy energy consumers such as cement factories for the past five years. In 2015, Tawazon signed a five-year contract to supply an Ethiopian cement company with a waste to thermal energy solution. As stipulated by the agreement between the two companies, Tawazon's subsidiary, ECARU, will be the technology and service provider responsible for collecting, transporting and processing local biomass that will be converted to environmentally-friendly alternative solid fuel. ECARU has also signed an MOU with East Africa Mining (EAM) of Ethiopia to establish a joint venture company dedicated to biomass management and alternative solid fuels. The new company will supply alternative solid fuel as source of energy for power generation to replace fossil fuels (coal) for cement companies in Ethiopia and its neighboring countries.

MEASUREMENT OF OUTCOME

With regard to 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.

Qalaa Holdings is cautious with our use of materials. We ensure that the materials used are allocated in a manner that maximizes efficiency and ensures sustainability. Qalaa Holdings also continuously measure 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. Below is a summary of some of materials used by our subsidiaries in addition to the reported use of energy.

ARESCO

Material	2015
Total Steel Raw Material Weight	16,907,694

DINA FARMS

DINA FARMS USES THE BELOW MATERIALS FOR THE FEEDING OF ITS HERD

Material	2015
Yellow Corn	240,99.17
Soybean Bran	12,309.98
Barn	4,781.69
Glutofed	7,567.84
Sunflower bran	2,273.4

DINA FARMS USES THE BELOW MATERIALS IN THE FOOD GROWING PROCESS

Material	2015
Solvable Potassium Sulfate	541.035
Super triphosphate	291.250

DINA FARMS

Type of Energy	2015
Diesel	1,313,627
Electricity	67344
Other Fuel distilled from crude oil	42,694,379

NRPMC

Type of Energy	2015
Diesel	120,000/ Month
Electricity	7500 Kwt/Month

Anti-Corruption

Qalaa Holdings' governance structure has evolved significantly over the past 10 years as the company transitioned from a two-person partnership to Africa's leading private equity firm with 19 platform companies and finally to its current structure as an investment holding company with a narrower focus and a smaller number of subsidiaries.

Throughout Qalaa's 10-year journey, maintaining good governance has been critical in seeing us through the volatility of our markets and helping us build sustainable businesses in multiple countries throughout the region. We pride ourselves on a long standing tradition of having a board of directors dominated by a majority of non-executives.

In 2015, the company continued along its path to strengthen the governance function to support sustainable growth, enhance risk management, and maximize efficiency at Qalaa Holdings and across all subsidiary companies. This determined approach to governance has progressively regulated a wide range of practices at Qalaa Holdings and its subsidiary companies, ranging from risk assessment framework, anti-fraud and financial reporting policies to the manner in which management interacts with shareholders and the creation of shareholder value across our subsidiaries. Institutionalizing the corporate governance processes is an ongoing, long-term objective across all our platform companies. Equally important are the principles of fairness, openness, and transparency which we have worked diligently to instill as part of our corporate culture. An interdisciplinary approach to governance incorporates Qalaa Holdings' management, industry platform teams, and the senior management of subsidiary companies by way of formal quarterly meetings through the management boards. These management boards also convene on an as-needed basis. This quarterly cycle of meetings and reviews, culminating in the meeting of Qalaa Holdings' audit committee and board, ensures a rigorous process of participation by a wide cross section of executives from Qalaa Holdings and its subsidiary companies. Qalaa Holdings engages the services of only the most reputable audit firms for both ongoing statutory audits and due diligence for all subsidiaries. Strict internal controls and reporting standards are a cornerstone of the governance principles at Qalaa and its subsidiaries. Financial and operational reports are transparent to all parties with a vested interest — from management and board members to shareholders.

Qalaa believes that high-quality governance is a fundamental enabler of superior corporate performance.

The components of effective governance reduce risk, identify internal and external threats, and assist in capturing profitable business opportunities. Qalaa Holdings' governance principles align the interests of management, shareholders, the board of directors, and subsidiaries, facilitating well-informed decisions. Qalaa Holdings has completed a process of institutionalization that began in 2013 at both the Qalaa and subsidiary levels. The comprehensive program included the refinement and improvement of all systems, policies, and procedures that management needs to support and grow the business. New policy documents were developed in parallel with the refinement of existing charters such as the audit committee and compensation committee. Developed policies that are now being implemented include the risk assessment framework, in addition to the anti-fraud and insider trading policies. In addition, audit committees modeled on the Qalaa Holdings' audit committee charter have been established for all major subsidiary companies, where the members of the audit committees are independent of the company's management. Qalaa Holdings' Internal Audit represents a key element in its corporate governance framework, with a mission to add value and improve Qalaa Holdings' overall operations by providing relevant, timely, independent, and objective assurance and advisory activities. The Internal Audit team assists the organization in accomplishing its objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process which provides Qalaa Holdings' stakeholders with reasonable assurance over the groups' operations and strengthens the firm's ability to maximize stakeholder value. Qalaa Holdings' Internal Audit function is an independent function with functional reporting lines to the audit committee and administrative reporting lines to the chairman and chief executive officer.

With a zero-tolerance approach to fraud, the Internal Audit function has implemented an Anti-Fraud Policy to promote consistent corporate integrity, honesty, and ethical behaviour within Qalaa and its subsidiaries. This approach helps the firm to protect the organization's assets, reputation, and employees. The Anti-Fraud Policy was reinforced by availing an anonymous whistleblowing channel to receive information from inside and outside the company on the Qalaa Holdings website. Qalaa Holdings believes in

continuously promoting and empowering the control environment within the company. Accordingly, the Internal Audit function has developed a Risk Assessment Framework to be followed throughout the organization. Risk Assessment contributes to the effective and efficient demonstrable achievement of objectives and the improvement of performance on multiple fronts. Qalaa's Internal Audit strives to ensure the presence of the Internal Audit function across all platforms, in its capacity to oversee, monitor and guide, advise, and administer its platform. In addition, our Management Committee is a monthly forum that engages a wider management team of Qalaa Holdings to review market developments and progress on corporate initiatives at Qalaa Holdings and its subsidiaries.

Social Investment

Qalaa Holdings' sustainable investments in a diverse array of sectors have had a significant impact on the economies of the region over the years. Our operations in critical sectors like energy and infrastructure not only support national economies, but also have a demonstrable impact on local communities by supporting job creation and meeting the demand for critical goods and services. While we continue to evolve and refine our investment focus even further, 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 in which we engage. In 2015, Qalaa achieved a significant milestone with the issuance of its first comprehensive Sustainability Report and was the first Egyptian company to receive an A grade rating from the Global Reporting Initiative (GRI) on its first report. The prestigious recognition was a testament to the company's commitment to transparency within all aspects of its operations. In a further recognition of our commitment to sustainability and responsible investing, Qalaa Holdings was also named a founding member of the UN Global Compact Network Egypt, an independent foundation that functions as the local operations center for the UN Global Compact Network (UNGCC) and a hub to create awareness and capacity-building to help stakeholders build sustainable business and comply with international best practices in Egypt.

Our sustainability initiatives are firmly rooted within six distinct but interrelated pillars: education, vocational training, human

capital development, community engagement, community development, and environmental sustainability. These pillars embody our company's core values and the vision that our executive management has for the company and the countries of the region in which we operate. Below is a list of some of the social investment programs that Qalaa Holdings and its subsidiaries are investing in:

QALAA HOLDINGS SCHOLARSHIP FOUNDATION

Every year since 2007 the Qalaa Holdings Scholarship Foundation (QHSF) has been giving 15-20 of Egypt's brightest students the chance to pursue graduate studies abroad at leading global universities in the U.S. and Europe. By providing youth from cities throughout Egypt with opportunities we are enabling them to make a positive impact on the economic and social well-being of the country. QHSF was founded by Qalaa Holdings (formerly Citadel Capital) in 2007 as a part of the company's commitment to education and human capital development in Egypt and across the region. To ensure the program's continuity, we established an endowment to fund the activities of the foundation. Today, QHSF has grown to become the largest private sector funded scholarship program in Egypt. Thus far the foundation has granted 138 academic scholarships to talented students who are interested in pursuing Master's degrees and PhD's at international universities worldwide, and if we include our newest 2016 class of scholarship recipients that will be announced at our 10th anniversary celebration in June, we will have proudly awarded more than c. 150 scholarships.

QALAA HOLDINGS FINANCIAL SERVICE CENTER

In November 2006, Qalaa Holdings Donated US\$ 250,000 to establish the Qalaa Holdings Financial Service Center (QHSF) 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 US\$ 30,000 annually to cover operating costs.

VOCATIONAL TRAINING

The Egyptian Refining Company (ERC), our US\$ 3.7 billion refinery in

Egypt, has been providing vocational training opportunities for the members of the local community through purpose-built community centers since 2008. Thus far, 950 members of the community, 215 of which are women, have been trained as welders, pipe fitters, electricians, mechanics, cell phone maintenance providers, computer technicians, and seamstresses. ERC has been carrying out a community needs assessment and stakeholder mapping to be able to design strategic and culturally appropriate interventions. ERC views the building of strong relationships with neighboring communities as a long-term effort which will be ongoing throughout the construction phase which now stands at more than 80% completion and into the operational phase of the project.

HUMAN CAPITAL DEVELOPMENT

In essence, all of our responsible investing initiatives fall under the umbrella of human capital development. We strive to develop human capital across our footprint, from our scholarship foundation in Egypt which supports Egypt's new generation of leaders, to our management training project carried out through Rift Valley Railways in Kenya and Uganda. The management of Qalaa Holdings firmly believes that bridging the knowledge gaps that currently exist in our region will require multiple initiatives. Whether it's the awarding of post-graduate scholarships, vocational training or mentorship programs championed by our own executives and employees, our ultimate goal is to grow the talent pool and unlock the hidden potential within the economies of our region. Qalaa has recently entered into a new initiative in partnership with USAID, five public universities in Egypt, and other private sector players to provide disadvantaged youth from 27 governorates across Egypt with new opportunities in higher education. The program, which will target 387 students in its first year, will grant undergraduate merit based scholarships and mentorship services (c. 900 hours of training per student) to students from underprivileged and underserved communities. The program also offers over 250 recipients the opportunity to study in the United States for a semester abroad experience. Qalaa Holdings' participation in the program involves the delivery of in-house and on-campus guest lectures, opportunities for one-on-one interaction with Qalaa employees, and opening its doors for students to visit the sites and offices of Qalaa and its subsidiaries.

COMMUNITY ENGAGEMENT

In addition to the 1,000+ employees in our African transportation unit, Rift Valley Railways (RVR), the national railway of Kenya and Uganda, the company has helped create jobs for SMEs along the railway line through its linkages program, providing income for an additional 2000 families in Kenya and Uganda. With the skills gained from the partnership between RVR and its technical strategic partner, ALL, local RVR staff are now transferring the same skills to others and helping to build more local capacity to run a state-of-the-art railway. Through RVR's highly-successful Management Trainee Development Program, young Kenyans and Ugandans are developing the hands-on skills needed to lead the railway to the highest international standards; 39 students have graduated from the program thus far. Additionally, 30 RVR drivers have graduated from a specially designed 18-month training course, which involves practice on a US\$ 891,000 train-driving simulator. Improving employee safety continues to be a top priority for RVR. The company won the IOSH Railway Group's International Award for reducing the number of on the job injuries to workers on duty in RVR's Nairobi office by 90%. The prestigious recognition was the culmination of a two-year program designed to effect simple but important changes in working procedures based on the '5S' methodology: sorting, setting in order, shining, standardizing, and sustaining.

COMMUNITY DEVELOPMENT

Since 2008, a dedicated team of trained specialists, the Egyptian Refining Company's (ERC) Community Relations Team, has worked hand in hand with stakeholders including local NGOs, community development associations, youth centers, cultural centers, public figures and community leaders to assess and fulfill community

needs. The team has also partnered with domestic and international development agencies to capitalize on available competencies and maximize the results of their efforts. The outcome has been a series of sustainable, high-impact initiatives in the areas of education, employment, vocational training, health, recycling, sustainability, women's empowerment and poverty eradication strategies. ERC's team conducts job-matching activities, refurbishes area employment centers, and conducts workshops for local youth focused on soft and technical skills. They have also developed a program that awards grants to help youth start their own small enterprises and trains women in management and leadership skills. School Refurbishment ERC began addressing the problem of poorly maintained public schools in 2012 with projects to refurbish dilapidated, unsafe buildings and schoolyards. The company has thus far invested in upgrading facilities in three neighboring schools. Upgrades include the installation of safer staircases and functional classrooms with new light fixtures, desks, chairs and fans. More than 8,500 students now enjoy a more conducive learning environment as a result of the refurbishments.

WOMEN'S EMPOWERMENT

In cooperation with Save the Children and two local NGOs, ERC has been involved in training women in the community on how to start and run small businesses to help support themselves and their families. Twenty-two projects started by females have thus far been awarded start-up grants. Youth Initiatives In cooperation with the Ain Shams Youth Center, ERC completed refurbishments at a local youth center with the capacity to accommodate 6000-7000 people. Capacity building sessions were offered to 25 youth leaders who will create and conduct cultural activities and sporting events such as football tournaments in the centers.