

CASE STUDY:

DSM CORRIDOR GROUP



THE COMPANY:



Company:	DSM Corridor Group
Region:	East Africa
Country:	Tanzania
Sector:	Port infrastructure
AIIM investment size	USD14.1m
AIIM shareholding	AIIF3 (67%)
Investment Instruments	Equity

IMPACT HIGHLIGHTS

- 237k MT of fertilizer handled in 2018
- 226k MT of copper handled in 2018
- 126 permanent employees as of December 2018, through 2018 there were on average 1,633 day-contractors per month
- Improved environmental and social management systems, and a focussed improvement on health and safety practices

DCG'S STORY

DSM Corridor Group (DCG) is a specialist regional cargo handling company based in Tanzania which offers a full suite of logistics services for the import and export of solid bulk materials, including fertilizer, cereals, sugar, clinker, metals such as copper, cobalt, and manganese. Founded in 2004, DCG currently operates multiple terminals including bulk storage and metals terminals at the Port of Dar es Salaam, Tanzania and an inland logistics terminal in Kisarawe, Tanzania. DCG has established itself as the largest independent cargo handler in Dar es Salaam and a major player in handling cross border flows to and from Zambia and the Democratic Republic of Congo.

DCG is fully independent not linked to any trading companies and has recently received the following awards for excellence:

- Global Ports Forum Award for "Customer Value Creator/Terminal of the Year" 2019 and 2018
- Seatrade Maritime Award for "Africa Maritime Award-2018"
- Global Port Forum Award for "Port/Terminal of the Year- Africa-2017"
- Transport News Sea Transport Award 2017 for "Cargo Handling Innovator of the Year 2017 Africa"

African Infrastructure Investment Managers (AIIM), invested in DCG in February 2017. AIIM's investment was structured through African Ports and Corridors Holdings (APCH), a vehicle established by AIIM and current and former executives of DCG with the intention of acting as a platform for further ports and logistics investments across Africa. APCH's vision is to enhance connectivity of key trade corridors for the benefit of regional economies.

Africa currently spends around USD25bn importing food and the cost of moving goods is three times the amount in developed markets. APCH recognizes that efficient and effective infrastructure is vital for economic growth on the African continent

and is committed to reducing logistics costs to drive an economic multiplier for manufacturers, processors and consumers. APCH seeks to create and pass through logistics cost efficiencies to its customers through a combination of: (i) world class ports and terminals operating efficiency; (ii) a focus on common user terminals to drive economies of scale; and (iii) a focus on corridor efficiencies and rail linkages which connect hinterland demand centres with major ports.

In 2018, APCH invested the Central African Corridor Company ("CACC") in Zambia. CACC holds a 25-year build-lease-transfer concession for the development, construction, financing and operation of a new inland terminal at Kapiri Mposhi in Zambia. CACC handles outbound mining flows and inbound Zambian cargo through the 1,860km TAZARA rail corridor between Tanzania and Zambia. CACC is seeking to drive a disruptive improvement in corridor logistics along TAZARA through promoting a major shift from road freight to rail. With the new investment, APCH seeks to consolidate cargo to support a medium term objective of up to eight trains a month, each with a fully loaded cargo capacity of around 1300 metric tonnes.



THE COMPANY VIEW

Erik Kok, Chairman of DCG and CEO of APCH, comments: "The AIIM team have worked seamlessly alongside us, adding great value to our company through their financial acumen, investment experience and reach across numerous regional markets in Africa. They know East Africa well and understand the challenges we face in Tanzania and are prepared to work closely with us to help the team scale, grow and succeed."



THE ROLE PLAYED BY PRIVATE EQUITY

DCG teamed up with AIIM – a member of Old Mutual Alternative Investments (OMAI) – and Africa's largest and most experienced infrastructure equity fund manager, via its AIIF3 fund, to form a strategic holding company – APCH. Today AIIF3 holds a 67% interest in APCH, while former DCG executives hold a 33% interest. APCH owns 100% of the equity in DCG and 72% of the equity in CACC.

As well as providing incremental capital to support the growth strategy of APCH, AIIM plays a proactive role in providing strategic direction and presenting bolt-on investment opportunities to the board of APCH. AIIM brings complimentary mix of on-the-ground contacts and port sector relationships to the DCG team, helping to drive a robust pipeline of opportunities for geographic diversification to new logistics corridors.

AIIM's support has been highly practical, financial and strategic. It has worked closely with the DCG team to introduce trusted international debt providers to help the business raise new financing for its growth and to strengthen asset tenure rights. AIIM has advised on the establishment of new measures for employee incentive alignment and health, safety and governance controls based on regional experience across its portfolio.

Despite trading conditions which have been challenging at times, AIIM's hands-on partnership approach has supported new avenues for growth such as the launch of CACC. Today APCH is positioned to play an increasing transformative role on the TAZARA corridor by restoring the use of rail as a primary means of movement for regional agri-bulk and minerals cargo. Future acquisitions will allow DCG and APCH to deliver similar efficiencies on other key corridors within the region.



A FORCE FOR GOOD

DCG is an important local employer and there is an active labour force employed as part of the business operations. Therefore, employee health, safety and well-being have been a key focus area for DCG. In 2018, DCG created just over 120 full time positions and up to 3000 jobs for contractors. With a well implemented Environmental and Social Management System (ESMS) and a focus on employee training, DCG has been able to improve the overall awareness and performance of health and safety in the business. In the near to medium term, the company is expected to create up to 50 new full-time jobs once the new Zambian concession is fully operational. As the company continues to grow, it is providing increasing commercial opportunities for local suppliers for their goods and services.

Moreover, DCG provides wider-ranging economic benefits for the region. With more efficient and cheaper distribution of fertilisers, East African farmers are able to cut their production costs and pass these on as cheaper

food to customers. And other businesses also benefit from more frequent distribution of their dry goods, increasing their business opportunities.

DCG has also achieved ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management) certification, integrated in a business wide Integrated Management System. These implementations are aligned to the IFC Performance Standards.

A key challenge for any business is to understand all of its relevant sustainability risks and opportunities for value creation holistically, and to manage them in a structured, methodical and objective manner. The purpose of an ESMS is to enable this understanding and risk/opportunity management.

WHAT IS AN ESMS?

An environmental and social management system (ESMS) is an operational system made up of a set of policies, procedures, tools and internal capacity to identify and manage a business's environmental, health, safety and social risks, while also unlocking positive outcome opportunities. The implementation of an ESMS is a core component of the IFC Performance Standard 1.

The International Standards Organization (ISO) 14001:2015 is ISO's management system specifically for environmental management. The ISO certifications are internationally recognised as best practice.

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