



ESG & IMPACT POLICY AND MANAGEMENT SYSTEM

June 2014

WHO WE ARE



An impact investment group with a growing family of investment vehicles

- Created in 2002 by Patrice Hoppenot, a private equity professional and founder of BC Partners,
- Since 2011 I&P is headed by Jean-Michel Severino, former CEO of the French Development Agency and former VP for Asia at the World Bank.

I&P's mission is to contribute to the development of a sustainable private sector in Africa in promoting a new generation of African Entrepreneurs.

- I&P is staffed by experienced professionals with strong social, environmental and governance values.
- Its team of 18 people is based in 6 offices located in Paris, Cameroon, Ivory Coast, Senegal, Ghana and Madagascar.

KEY FIGURES

A 12 year old success story

- **Creation in 2002** by Patrice Hoppenot, a Private Equity professional, co-founder of BC Partners
- **Succeeded by Jean-Michel Severino** in 2011, former Vice President of the World Bank (1996-2001) and former CEO of l'Agence Française de Développement (2001-2010)

2 investment vehicles

- **I&P Développement (IPDEV)**, historical vehicle, capitalized up to 11 million euros
- **I&P Afrique Entrepreneurs (IPAE)**, investment fund of 54 million euros, launched in 2012
 - For **minority stakes** whose amounts range from 50 K€ to 1.5 million euros

More than 50 partner companies

- **Located in 14 African countries** : Senegal, Mauritania, Mali, Niger, Ivory Coast, Benin, Burkina Faso, Cameroon, Uganda, Namibia, Madagascar, Gabon, Comoros, DRC
- **Operating in diversified sectors** : agro-industry, health, building, etc.

Economic, social, environmental and governance impacts

- **+ 30% revenue** in the companies portfolio in 2011
 - **2500 emplois maintained or created** in 8 years over 30 companies
- **3 million taxes generated annually**, allowing more public spendings, i.e. **600 more children in school every year**

AN IMPACT INVESTMENT APPROACH FOCUSED ON AFRICAN ENTREPRENEURS

With 2 main objectives :

1. Creation and management of financial instruments **demonstrating profitability**
2. And playing a key role in **addressing 4 main development challenges:**



... SUPPORTED BY AN AMBITIOUS SOCIETAL STRATEGY

Our context

- Thriving SMEs rarely involve high ESG-related risks, but present **significant enhancement opportunities individually and collectively**
- Entrepreneurs' agenda include ESG-related concerns, but are constrained by a **lack of dedicated financial and human resources**

Our vision

- We are **committed to enhance our portfolio companies' Environmental, Social and Governance-related (ESG) practices**, to leverage on their impact
- We aim to build the business case for **ESG implementation across African SMEs**
 - We integrate ESG factors in all steps of the investment process from pre-screening to exit
 - We work closely with entrepreneurs to build capacity as early as possible
 - We insist on promoting mutually beneficial actions creating ESG value as well as economic value

OUR ESG AND IMPACT VALUE CHAIN

INPUTS AND ACTIVITIES

FINANCE
 Minority equity investment
 Quasi-equity loans

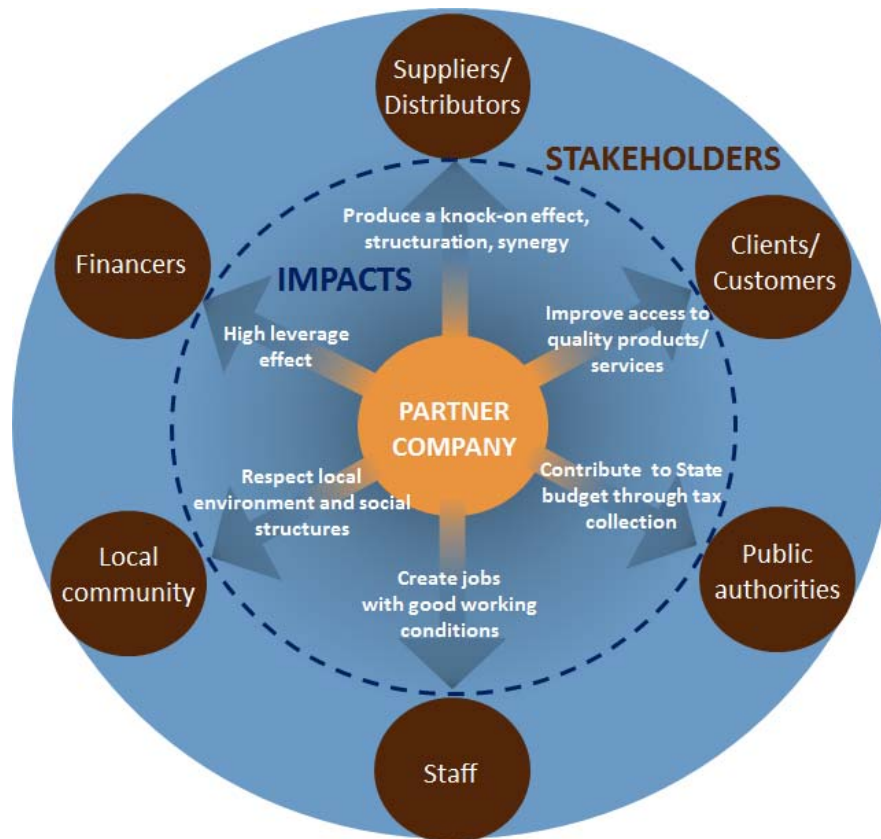
MENTORING

MANAGERIAL SUPPORT
 Advice on business strategy
 Implementation of management tools

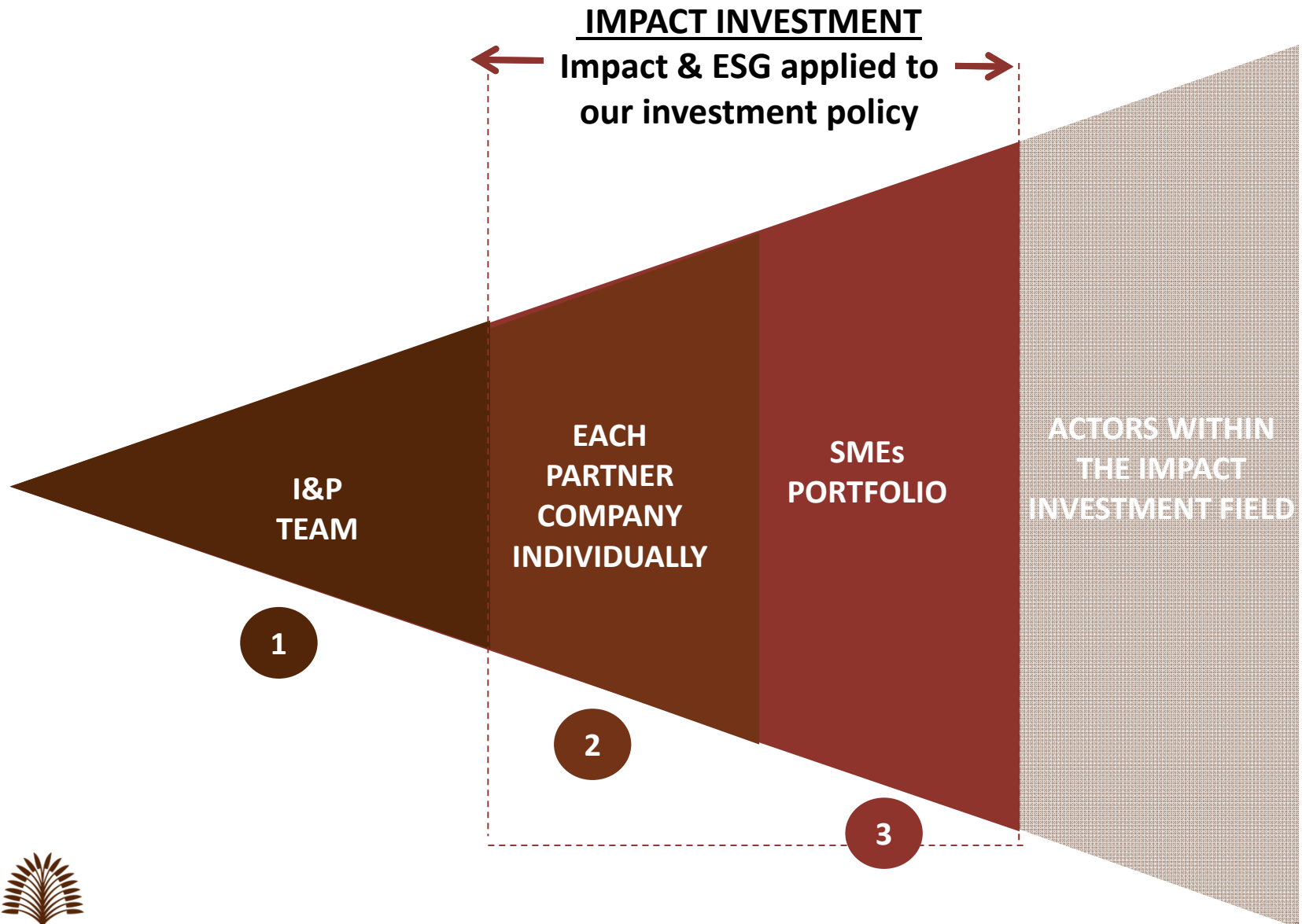
ESG SUPPORT
 Implementation of ESG specific action plans
 Shared actions at the portfolio level

TECHNICAL ASSISTANCE
 Subsidies used for capacity building and training in various fields (HR, MIS, marketing, ESG, governance, etc.)

EVALUATION OF THE IMPACTS ON THE COMPANY STAKEHOLDERS



TARGETS AND FOCUS AREAS



OUR ESG AND IMPACT TOOLS

ESG INPUTS AND ACTIVITIES

- 1 AT I&P TEAM LEVEL**
Our own ESG action plan to stand as an example
- 2 AT THE COMPANY LEVEL**
Practical tool to assess and monitor ESG factors all along the investment process
- 3 AT THE PORTOLIO LEVEL**
Shared actions on cross-cutting ESG issues

IMPACTS ASSESSMENT

- IMPACT MEASUREMENT TOOL**
Collection of a set of impact metrics on all our investments
(based on company stakeholder analysis)
- IMPACT CASE STUDIES**
In depth impact case studies based on field research

ANNUAL REPORTING : Detailed ESG and impact reporting to the fund investors



1. AT I&P TEAM LEVEL

Our own ESG action plan

DESIGNING A SPECIFIC HR POLICY AND CODE OF ETHICS

1. We are committed to ensure the well-being of employees

- Our HR policy includes health insurance policies and continuous professional training
- Gender issues are considered with an objective of 50% of female staff

2. We have implemented our own code of ethics

- This code of ethics, signed by the whole team, is based on four shared values : **ENTREPRENEURIAL SPIRIT, COMMITMENT TO DEVELOPMENT, INTEGRITY, and HIGH STANDARDS**. These values provide a common framework for the entire I&P team and ensure that our actions and our reputation are consistent with the same central, guiding principles.
- Adherence to these guidelines is a prerequisite for recruitment, and also forms the basis for the assessment of I&P colleagues, individually or collectively.
- Furthermore, these four values establish and characterize the relationship I&P maintains with all its stakeholders: investors, companies, partners, consultants, etc.
- To implement the code of ethics, I&P has appointed an Ethics Advisor. This Ethics Advisor works independently of the employee team, and will focus on addressing the challenging ethical situations the team faces internally and on the ground

REDUCING OUR ENVIRONMENTAL FOOTPRINT

1. We have reviewed our supply strategy

All our office furnitures and equipment are now selected on environmental criteria in our head office.

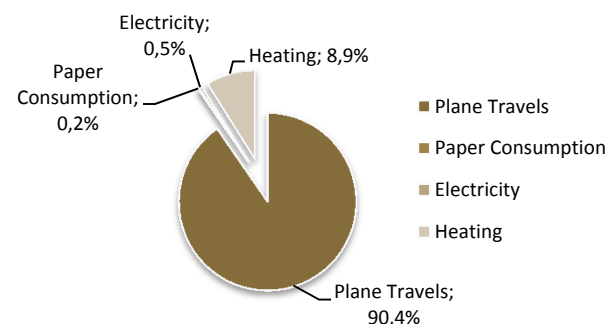
2. We are committed to assess and offset our own carbon emissions (head offices and local offices) on a yearly basis.

I&P – Calculation of carbon footprint and carbon offset

Since 2011, we have implemented a yearly calculation of our carbon footprint and we are committed to compensate for it. In 2012, our carbon emissions represent 170 tons of CO2 eq. Indirect emissions (scope 3) from plane travels account for 90% of our total carbon footprint (cf. graph below). The set up of local offices in Africa is a way to reduce long distance travelling but travelling remains at the core of our activity.

As a consequence, we offset our carbon emissions with an Eco act project based in Bamako in Mali. The project consists in replacing traditional cookstoves with new energy-efficient cookstoves (1,4 times more efficient), with lower wood consumption (reduction by 50%) and less harmful smoke emissions. Expected outcomes for local population include: creation of a new local activity and jobs, limitation of deforestation, time and money saving for households, better life conditions for women and children in the households.

Breakdown of I&P carbon footprint



2. AT THE COMPANY LEVEL

Tailored ESG action plans

DURING THE PRE-INVESTMENT PHASES



1. Initial contacts and screening

- We assess whether the investment proposition is in line with our policies and guidelines, notably that the investment does not violate the investment vehicle 's exclusion list.
- We conduct a preliminary assessment and rating of the main ESG-related risks and opportunities.

2. Due Diligence and contracts

- As an integral part of the investment assessment, we conduct an in-depth analysis of ESG-related matters based on field visits to head office and branches, and meetings with management and other stakeholders. This review includes:
 - Social considerations, such as working conditions, HR management, impact on local communities, among others
 - Environmental considerations, such as water and waste management, carbon footprint and energy efficiency, biodiversity, etc.
 - Governance-related considerations: business integrity and good corporate governance.If applicable, we incorporate the specific sectorial guidelines from the IFC's Performance Standards.
- Using this analysis, we rate potential ESG risks and opportunities, as well as the quality of ESG management system. We also highlight key ESG drivers for the business and main opportunities for action.
- We work together with the management team to develop an action plan for ESG improvements, with actions required, timeframe, proposed responsibilities and costs involved.
- Main conclusions drawn from the ESG-related due diligence are presented to the Investment Committee.
- Once the investment is approved, we ensure that investment agreements include general and specific commitments with regard to ESG.

IN THE INVESTMENT POST-INVESTMENT PERIODS



4. Monitoring

- As far as possible, we provide ongoing support for timely implementation of the action plan. This assistance takes various forms: dedicated research, training, practice sharing with other portfolio companies, and resort to outside expertise. For the latter, we can organize and co-finance technical assistance assignments.
- We meet bi-annually with the management team to assess progress made and update the action plan.
- As board member, we ensure that ESG considerations are regularly raised and discussed, and action plans approved at least annually.

5. Exit

- We believe that sound ESG policies and practices are a strong asset to exit in good conditions, and should be highlighted in pre-exit discussions and documentation.
- As we believe ESG improvements should continue under the new ownership, we consider ESG issues when determining best options for exiting.
- We check the reputation and track-record of potential purchasers and interview them on their intentions with regard to responsible ESG practices.

IMPACT MEASUREMENT TOOL

Context and objectives

- As « impact investors», we believe that we can generate measurable impact on local development.
- We need to track, analyze and report on this impact performance

Implementation of an in-house impact assessment tool

- We have developed our own impact assessment and monitoring system, including, among others, IRIS metrics (catalog of generally accepted performance metrics for impact investors).
- We **collect quantitative and qualitative data each year from our investee companies**, in order to better analyze their individual and collective contribution to local development

ANNUAL REPORTING : Detailed ESG and impact reporting to the fund investors

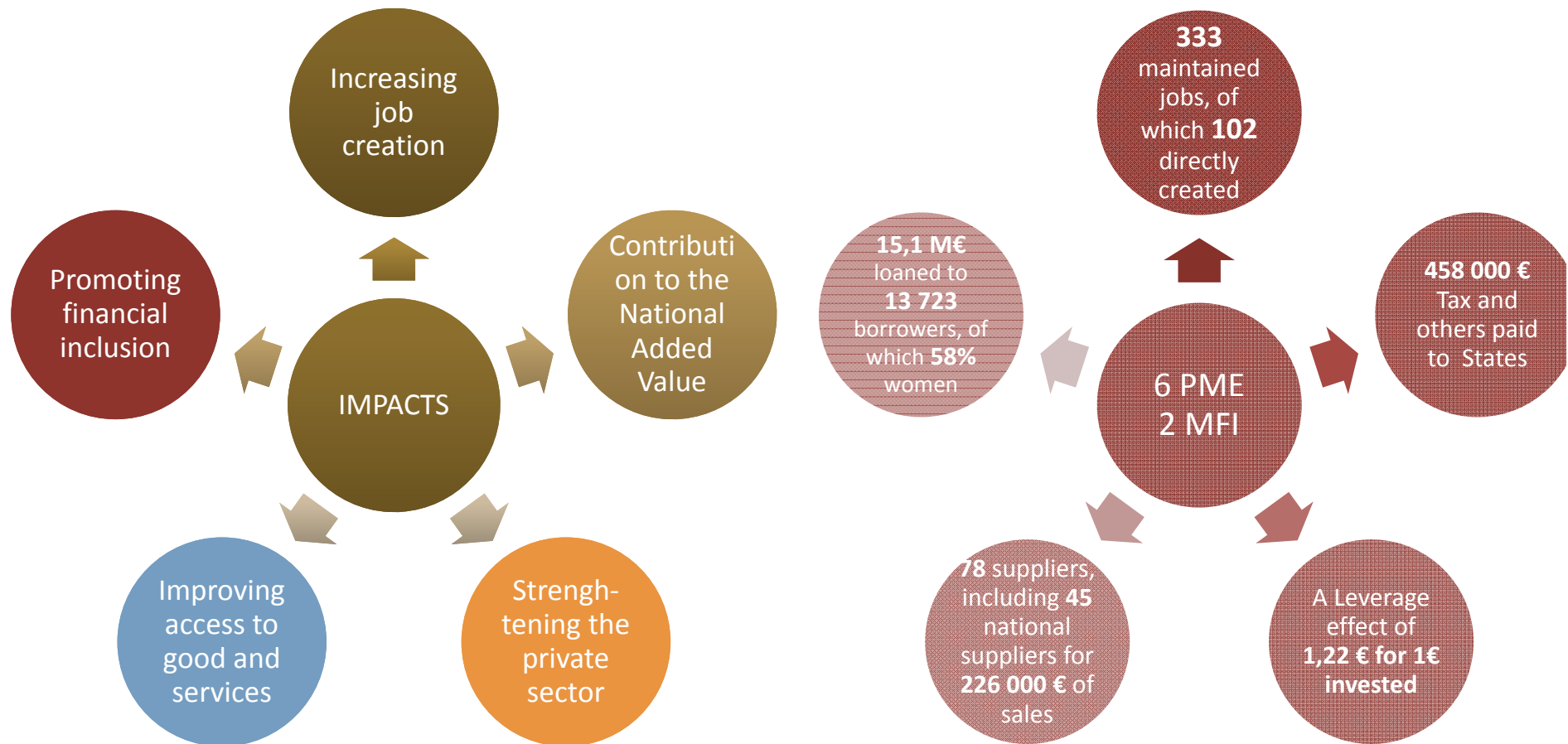
EVALUATION OF IMPACTS ON THE COMPANY STAKEHOLDERS



OUR IMPACT INDICATORS AT THE PARTNER COMPANY LEVEL – 5 MAIN DIMENSIONS

STAKEHOLDERS	GROUPS OF INDICATORS	DEVELOPMENT CHALLENGES
IMPACT ON STAFF	Net creation of jobs Quality of the jobs (low- and high-skilled positions, gender, fairness of wages, etc.) Employee-training, etc.	Creation of formal quality jobs is particularly important given the high level of unemployment and informality
IMPACT ON CLIENTS	Access to unavailable services and products (meeting basic needs in some cases) Access to finance for micro-entrepreneurs (MFIs)	Many products and services are not available locally. Given the lack of public goods in sub-Saharan countries, SMEs can also help meet basic needs
IMPACT ON SUPPLIERS/DISTRIBUTORS	Knock-on effect on suppliers/ distributors	Structuring local sectors to raise sales, profits and employment levels for suppliers and distributors
IMPACT ON LOCAL COMMUNITIES	Employment and income generating opportunities	Local communities, as people in the neighborhood, local authorities, or even competitors are also impacted by the firm activity.
IMPACT ON NATIONAL VALUE ADDED	Contribution to state revenues, GDP, and exports	Formal enterprises have an important macroeconomic impact, particularly on state budget, and thus indirectly contribute to public spending like public goods investments.

FIRST RESULTS FOR THE NEW FUND I&P AFRIQUE ENTREPRENEURS (FOR 2012)



IMPACT CASE STUDY – 360° EVALUATION SURVEY

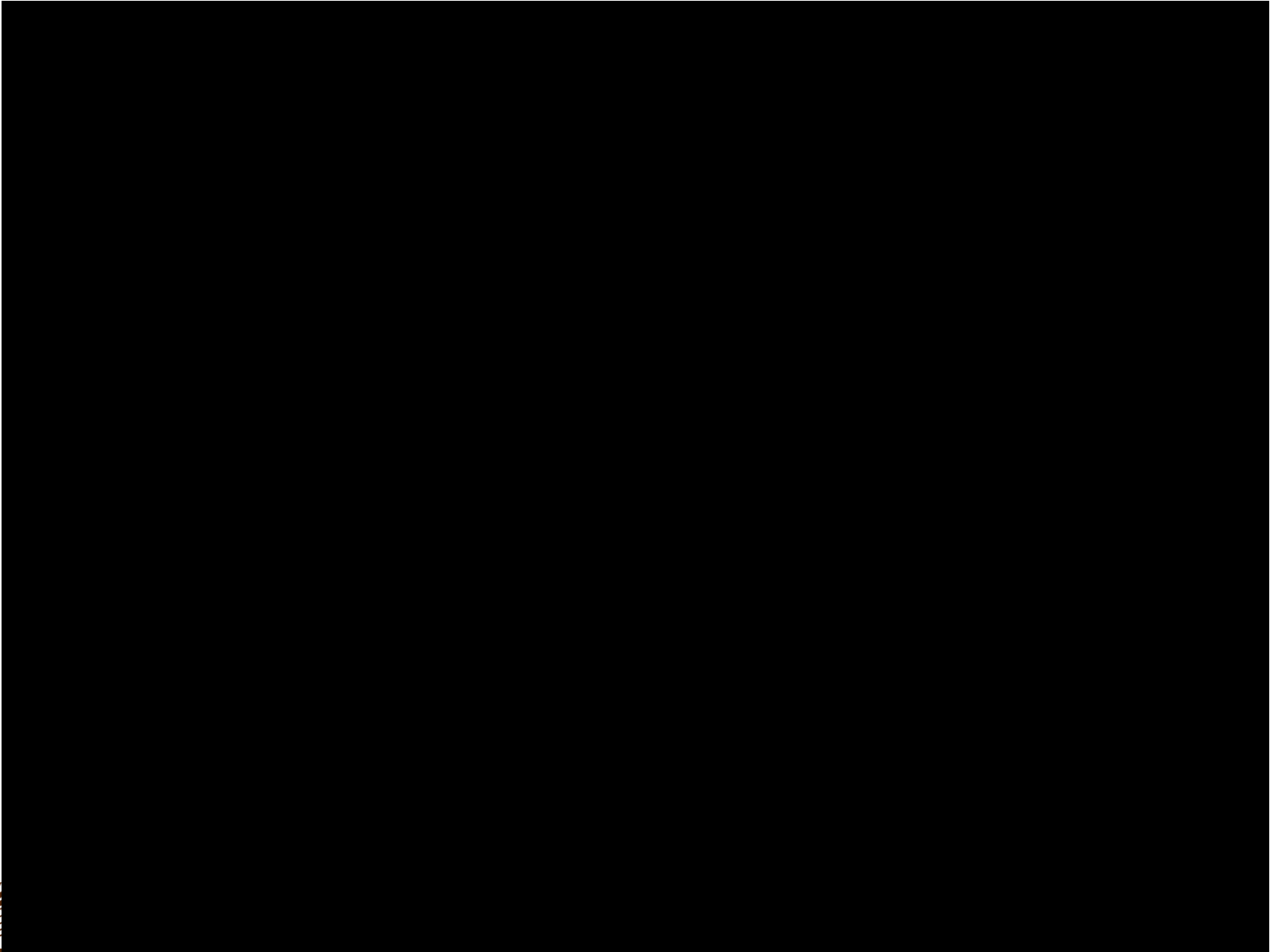
We conduct every year an in depth impact evaluation on one of our portfolio company.

- Indicators we collect every year on all investee companies are useful but do not allow us to understand the all impact dimensions of the enterprise's activity.
- Therefore, in addition to this reporting, we conduct every year an in depth impact evaluation on one of our portfolio company.
- We rebuild all the theoretical framework of the firm's activity in order to fully understand how each local stakeholder are impacted. We focus on causality links that the impact assessment/reporting tool does not allow us to track.
- During 4-5 weeks, a five people team leads a quantitative and qualitative field survey in order meet local stakeholders and challenge the hypothesis defined in the theoretical framework.
- « Good » as well as « bad » impact are identified. This observation allows the firm to adapt its activity and better respect local stakeholders.

Two evaluations have already been conducted :

- In 2012 on a organic fruit producer/exporter in Cameroon : BIOTROPICAL
- In 2013 on a microfinance institution in Cameroon : ACEP CAMEROUN
- Two others studies (in Madagascar) will be implemented in august and September 2014.

FILM OF THE BIOTROPICAL 360° SURVEY



3. AT THE PORTFOLIO LEVEL

Shared actions on cross-cutting ESG issues

OUR PORTFOLIO STRATEGIC APPROACH

- We are committed to pool resources around **specific ESG objectives** we consider as strategic for African SMEs.
- Our philosophy is to promote **win-win situations** with a view to creating ESG value as well as economic value.
- To meet these cross-cutting objectives, we implement **shared actions across our investees** to provide them with innovative and replicable ESG solutions

OUR ESG CROSS-CUTTING OBJECTIVES



FIGHT AGAINST THE CLIMATE CHANGE...

- **Climate change is a key development issue for Africa**
 - According to the most recent estimates from the International Panel on Climate Change (IPCC), **the African continent has warmed about half a degree over the last century** and the average annual temperature is likely to increase by 1.5-4°C on average during this century (greater than the global average)
 - Africa is the most severely impacted region in the world, with disastrous effects on land and water resources, as well as people's health, threatening the development gains of African countries
- **We take actions against climate change**
 - On our modest scale, we are committed to contribute. We encourage our investees to seize mitigation opportunities through **energy efficiency and renewable energy**. In a context of unreliable access to energy and particularly high prices, these opportunities create win-win situations for SMEs, decreasing their environmental footprint while improving their competitiveness.
 - We believe that our investees can play an active role in experiencing and sharing new and replicable solutions. Ultimately, we aim at decoupling investees' economic growth from their carbon growth and set an example.

... AND REDUCE OUR PORTFOLIO CARBON FOOTPRINT

- In this context, we work with specialists to implement energy related operational improvements within our investees. These issues are now incorporated in our due diligence and monitoring processes.
- To measure progress, we have implemented a tool to estimate the carbon footprint of our investees and our portfolio as a whole, with a first assessment expected for 2014 (based on 2013 data).

Case study: Laiterie du Berger in Senegal

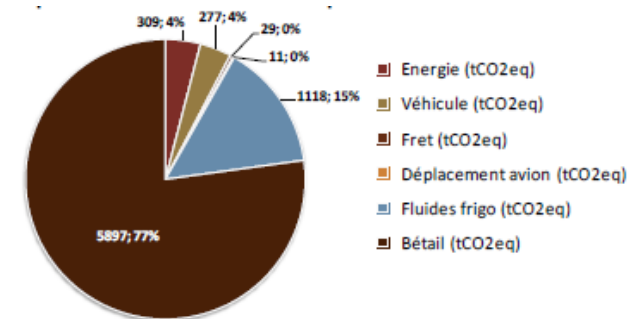
La Laiterie du Berger is the only Senegalese company manufacturing milk products from fresh social milk, collected from more than 800 breeders in the Richard Toll zone, in the north of Senegal.

Specialists from [ENEA](#) have worked with Laiterie du Berger to measure carbon emissions by scope and category and to assess the current energy costs.

- Total energy costs amount to **200 k€**, with **60 k€** for electricity and **140k€** for gazoil and petrol.
- As presented in the picture, total carbon emissions represented **7 647 tons** of CO2 equivalent in 2012.

Several improvements related to processes have been proposed, particularly for the industrial cooling system (efficiency of production and cold storage, better matching of consumption and production)

The company is working on an ambitious project with a French company: installation of a 200kW solar power plant (photovoltaic and thermal) to provide the factory with heat and electricity. A project proposal has been pre-selected by the FFEM for a funding.



PROMOTE THE 4 OBJECTIVES OF THE “DECENT WORK” AGENDA OF THE INTERNATIONAL LABOR ORGANIZATION

1. Creating jobs

As an investor targeting fast growing SMEs, generating good quality employment is a core objective for us and a top priority for Sub-Saharan economies. To track our performance, we measure net job creation and assess the jobs quality on a yearly basis. In 2012, the eight investees of the fund IPAE employ 333 persons and have created more than a hundred formal jobs. Average wages are 25 times higher than the average GDP per capita in Africa and 46 k€ have been spent for training purposes.

2. Extending social protection is a key objective for us.

As far as we can, we encourage our investee companies to gradually improve the level of healthcare coverage for their employees. We plan to focus our next portfolio-wide study on this issue, with a review of healthcare systems in our countries of intervention. Ultimately, we plan to pool our investees (at the country level or at the portfolio level) to give them access to better conditions (reduction in insurance premiums and improved benefits). Among other advantages for companies, reduced absenteeism and improved employees' loyalty are expected.

3 & 4. Guaranteeing rights at work and promoting social dialogue.

Social dialogue and rights at work are major areas of focus during the ESG due diligence and monitoring.

FIGHT AGAINST CORRUPTION, A MAJOR ISSUE IN AFRICA



1. **Evaluating integrity practices and entrepreneurs' reputation** are key in our decision-making processes. We are also committed to help our investees improve their practices and implement anti-corruption strategies.
2. **Integrity** is one of the four shared values of our code of ethics, signed by the whole team. Refusing bribes, gifts or any other kind of advantages is a core principle for us. We operate in compliance with national and international laws and regulations and act in accordance with strict professional ethics. As far as anti-money laundering is concerned, we have implemented rigorous processes.
3. As much as we can, **we display our integrity commitments**, which are available on our website, and presented to our investors and investee companies.

ANNEX: Case study (Nest for all)

Case study – Nest for all in Senegal

- **Nest for All, a network of healthcare centers in Senegal**
 - The network includes two hubs (a maternity and a pediatric center) and neighborhood branches offering affordable health services to women and young children in Dakar and its suburbs.
- **Assessment of ESG-related risks and opportunities**
 - To conduct our ESG related due diligence, we used our general check list questionnaires, as well as sectorial guidelines: the IFC Environmental, Health and Safety (EHS) Guidelines for Health Care Facilities.
 - Our assessment highlighted medium/high potential environmental and social risks, particularly for the new maternity. Environmental issues mainly consist in waste and wastewater management. The most serious social risks consist in occupational health and safety risks such as exposure to infection and disease and exposure to hazardous materials and waste.
 - The project generates high social opportunities: it gives access to affordable health services for low-income women and children. The entrepreneurs are also committed to raise awareness on reproductive health issues among young and low income women.
 - The social impact of the project needs to be regularly assessed.

Case study – Nest for all in Senegal (2)

- **Main opportunities and improvements since our investment in 2012**

ACTION PLAN	IDENTIFIED RISKS/OPPORTUNITIES	IMPROVEMENT ACHIEVED SINCE I&P'S INVESTMENT
ENVIRONMENTAL & SOCIAL	<ul style="list-style-type: none"> ▪ Waste issue, health & safety hazards for patients and staff in the new maternity 	<ul style="list-style-type: none"> ▪ Implementation of rigorous internal procedures for the new maternity (see insert below)
ENVIRONMENTAL	<ul style="list-style-type: none"> ▪ Improvement of energy efficiency 	<ul style="list-style-type: none"> ▪ Energy diagnostic and recommendations (as part of our portfolio-wide study on energy efficiency)
SOCIAL	<ul style="list-style-type: none"> ▪ Raising awareness on reproductive health issues and attracting new clients 	<ul style="list-style-type: none"> ▪ Information and communication sessions for young women from professional schools about family planning and reproductive health issues
GOVERNANCE	<ul style="list-style-type: none"> ▪ Structuring of the governance ▪ Enhanced reliability of the accountancy 	<ul style="list-style-type: none"> ▪ Change of company status to set up a Board of Directors ▪ Improvement of the accounting and financial organization (work in progress)

Technical assistance support: implementation of E&S procedures for the new maternity

Nest for all illustrates how technical assistance can be used for ESG-related purposes. I&P has identified a French expert, Danièle Claer, with an experience as health manager in France, Asia and Africa, to help Nest for all draft and implement rigorous internal procedures for its new maternity. Thanks to technical assistance funds, Danièle has travelled twice in Senegal, to prepare the opening of the maternity in 2012. She has worked with the management to draft procedures, including waste management and health & safety procedures, in accordance with IFC EHS guidelines on healthcare facilities. She has also organized several training sessions for the local staff. Her contribution has been highly appreciated by I&P and the entrepreneurs. Follow-up assignments are planned to check that these procedures are properly implemented.