



# **I&P Afrique Entrepreneurs**

**ANNUAL ESG AND IMPACT REPORT**

**END OF MARCH 2017**



# IPAE - ESG & IMPACT REPORT



## IMPACT THESIS AND PORTFOLIO OVERVIEW



## IMPACT MANAGEMENT IN 2016

1

DEFINING ESG & IMPACT GOALS AND FRAMEWORKS

2

IMPLEMENTING ESG ACTION PLANS

3

MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4

ENHANCING OUTREACH & IMPACT WITH ADVOCACY

# PROMOTING AND GROWING AFRICAN SMEs

## As a solution to many development challenges in Africa

### CREATE DECENT AND STABLE JOBS

- Formal SMEs are **pillars of job creation** in both developed and emerging countries.
- These jobs offer **higher wages** than in the informal sector (50% to 60% higher according to data from Ghana and Tanzania), are **more secure** and give **access to training and social security**.
- In addition to its significant impact on income, the **regularity of formal wages** enables a family to plan for the future, to save money and improves access to credit, housing and children's education.

### OFFER WELL ABOVE-AVERAGE GROWTH POTENTIAL

- SMEs in Africa tend to suffer from low productivity and face high **barriers to growth**.
- Yet they can offer a high growth potential when **properly financed and assisted**. In 2015, the turnover of IPAE companies has increased by 30% per year, which is 6 times higher than the average economic growth in our countries of intervention.
- When financed at an early stage, they can achieve **impressive growth rates**, in spite of their fragile context.

## SMEs

### BUILD AND STRUCTURE LOCAL ECONOMIC FABRICS

- SMEs are usually created and run by African managers and foster **greater ownership of local growth**.
- They tend to obtain their **supplies locally**, more than multinationals, which rely on international networks. They can also play a **structuring role in local sectors**, beyond a simple ripple effect on their suppliers or distributors.
- Some SMEs intentionally **aim for specific social or environmental benefits**, by providing employment and income generating opportunities or essential/ environment -friendly products and services.

### IMPROVE ACCESS TO USEFUL GOODS AND SERVICES FOR DOMESTIC MARKETS AND THE BOP

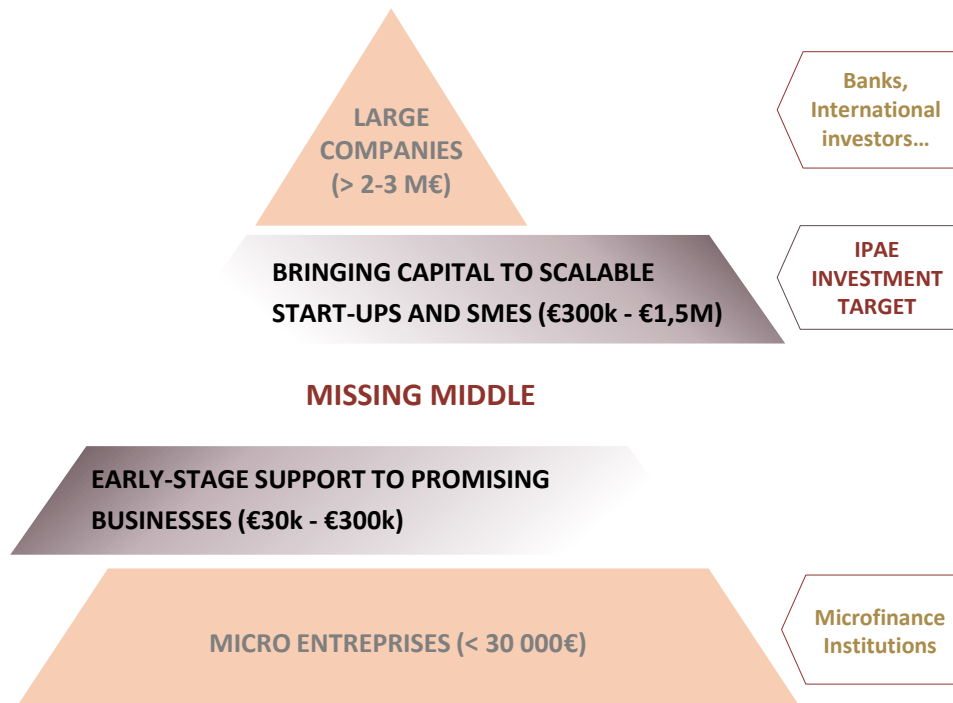
- In Africa, many useful products and services are either **unavailable locally or difficult to access**. African SMEs tend to be predominantly focused on **domestic markets**, filling these gaps.
- They meet a **great variety of local needs**, including essential ones : water, healthcare, housing, education, energy, financial services.
- For basic needs, households at the **Bottom of the Pyramid** remain the largest base of potential customers.

# ADDRESSING THE “MISSING MIDDLE” IN AFRICA

## Private equity: a proven response to growth needs of SMEs

- African SMEs suffer from very **limited access to the formal financial sector**: more than 40% of SMEs mention access to finance as the major factor limiting their growth<sup>1</sup>. This is referred to as the “missing middle” phenomenon.
- In most countries, **existing financial institutions are not equipped** to address the long term investment needs of SMEs, and the private equity industry mainly **focuses on large deals and corporations**.

### Financing the missing middle in Sub-Saharan Africa<sup>2</sup>



### Private Equity: a new solution for African SMEs

Equity investors such as IPAE can effectively meet most of the needs faced by African SGBS:

- ① Personalized long-term risk finance:** PE investors can provide long-term equity and quasi-equity finance, often without asset-based collaterals.
- ② Accessing skills:** the investor provides individualized management support to the investees in various areas of expertise (strategy, accounting, financial management...)
- ③ Improving governance:** the investor structures the governance of the companies and improves management standards
- ④ Catalyzing effect:** the presence of an investor facilitates bank financing

<sup>1</sup> Enterprise Surveys, World Bank group

<sup>2</sup> Lundin Foundation : resourcing the missing middle

# OVERVIEW OF IPAE PORTFOLIO

## WESTERN AFRICA

15  
investments

### Benin

- TINCY Boulangeries (Nutrition & Agribusiness)

### Burkina Faso

- ACEP Burkina (Microfinance)
- Bakou Logistics (Transport)

### Cote d'Ivoire

- CONERGIES Group (Construction & Equipment)
- Enval Laboratoire (B to B Products & Service)
- Pharmivoire Nouvelle (Health)

### Ghana

- Eden Tree (Nutrition & Agribusiness)
- PEG (Renewable Energy)
- VRS (Transport)

### Mali

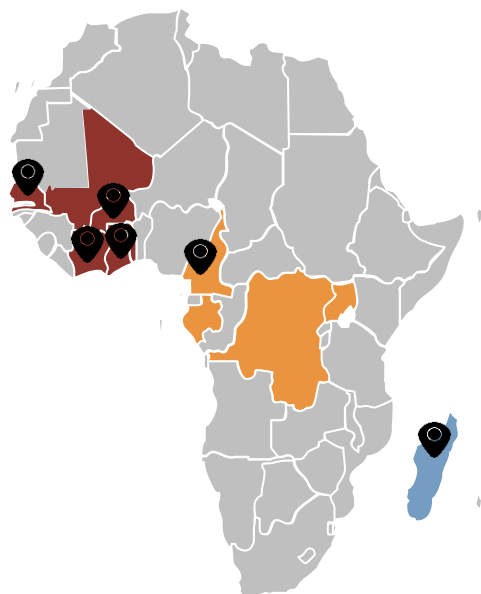
- *Carrières et Chaux du Mali (B to B products & Services)\**

### Senegal

- Delta Irrigation (Construction & Equipment)
- NEST FOR ALL (Health)
- *Neurotech (IT)\**
- SOFAMAC (Construction & Equipment)

80%

of companies operating in Least Developed Countries or Fragile Countries



## CENTRAL AFRICA

5  
investments

### Cameroon

- Carrières du Mounjo (Construction & Equipment)
- ITG Store (IT)

### DRC

- Oxus (Microfinance)

### Gabon

- TRIANON (Construction & Equipment)

### Uganda

- Finance Trust Bank (Microfinance)

## SOUTHERN AFRICA

5  
investments

### Comoros

- Banque des Comores (Microfinance)

### Madagascar

- ACEP Madagascar (Microfinance)
- PDS (Nutrition & Agribusiness)
- SCRIMAD (Nutrition & Agribusiness)
- *Ultramaille (Other Industry)\**

## PAN-AFRICAN

2  
investments

- *Enko Education (Education & Media)\**
- *Africa Radio (Education & Media)\**
- *Barajii (Nutrition & Agribusiness)\**

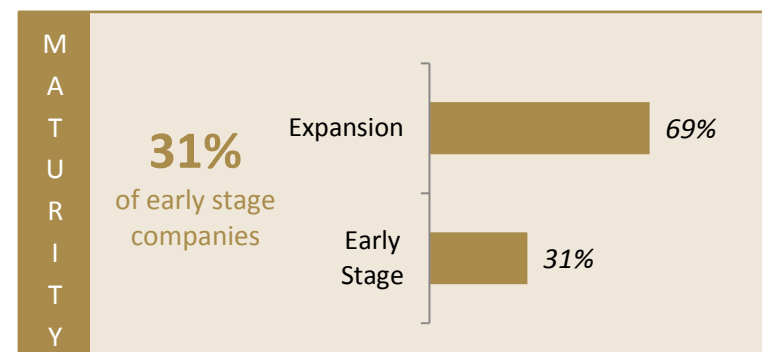
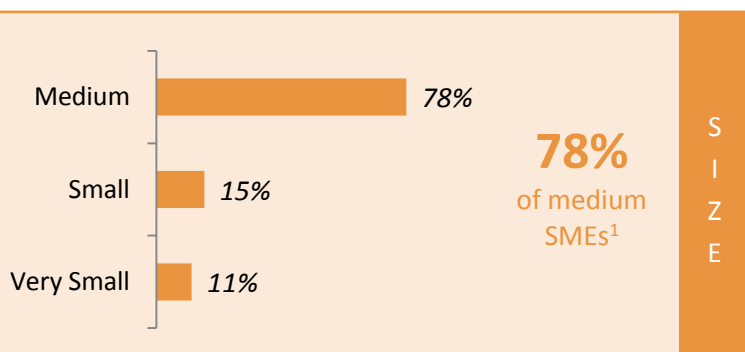
# VARIOUS COUNTRIES AND SECTORS

Benin	4%	12 different countries	C O U N T R I E S
Burkina Faso	13%		
Cameroon	6%		
Comoros	2%		
Ivory Coast	13%		
Gabon	3%		
Ghana	8%		
Madagascar	21%		
Mali	8%		
Pan-African	2%		
RDC	2%		
Senegal	13%		
Uganda	6%		

Since its creation in 2012, IPAE has invested in 28 companies located in 12 different African countries and operating in a great variety of sectors.

To foster Sub-Saharan SMEs' development, it finances very small to medium size businesses that are mostly at an early or expansion stage.

S E C T O R	11 different sectors	Nutrition & Agribusiness	19%
		Microfinance	19%
		Construction & Equipment	19%
		IT	7%
		Health	7%
		B to B products & services	7%
		Transport	7%
		Education & Media	7%
		Renewable Energy	4%
		Other Industry	4%



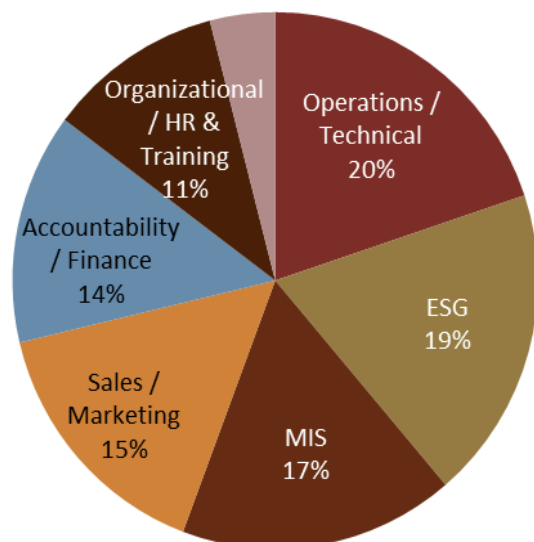
<sup>1</sup> Very small SME : Turnover < 0,5M€ and Employees < 25  
 Small SME : 0,5 < T < 1,5 or 25 < E < 50  
 Medium SME : 1,5 < T < 4 and E > 50

# SUPPORT FROM THE TECHNICAL ASSISTANCE PROGRAM

## CONTEXT

IPAE builds strong partnerships with its investee companies by providing them with both financing and managerial support. Given the lack of human and financial resources, the IPAE technical assistance (TA) program is critical to fostering capacity building, skills transfer and training in partner companies. It is complementary to IPAE's general strategic & management mentoring. The TA program is based on grants from the European Investment Bank and FISEA (€1.25M). It co-finances a great variety of support missions being carried out by independent specialists.

## Fields of action



## Main Figures



TA Program started in **2012**

**86**

Missions have been conducted and 11 are still on progress



A total budget of **897 k€**



**27** companies benefited from this program

**2,000**

Days have been dedicated for TA missions.



**59** different experts have been committed to TA missions with **40%** of African experts





# IPAE - ESG & IMPACT REPORT



## IMPACT THESIS AND PORTFOLIO OVERVIEW



## IMPACT MANAGEMENT IN 2016

1

DEFINING ESG & IMPACT GOALS AND FRAMEWORKS

2

IMPLEMENTING ESG ACTION PLANS

3

MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4

ENHANCING OUTREACH & IMPACT WITH ADVOCACY



# IMPACT MANAGEMENT – REPORT CONTENT





# IPAE - ESG & IMPACT REPORT

## IMPACT THESIS AND PORTFOLIO OVERVIEW

## IMPACT MANAGEMENT IN 2016

**1** DEFINING ESG & IMPACT GOALS AND FRAMEWORKS

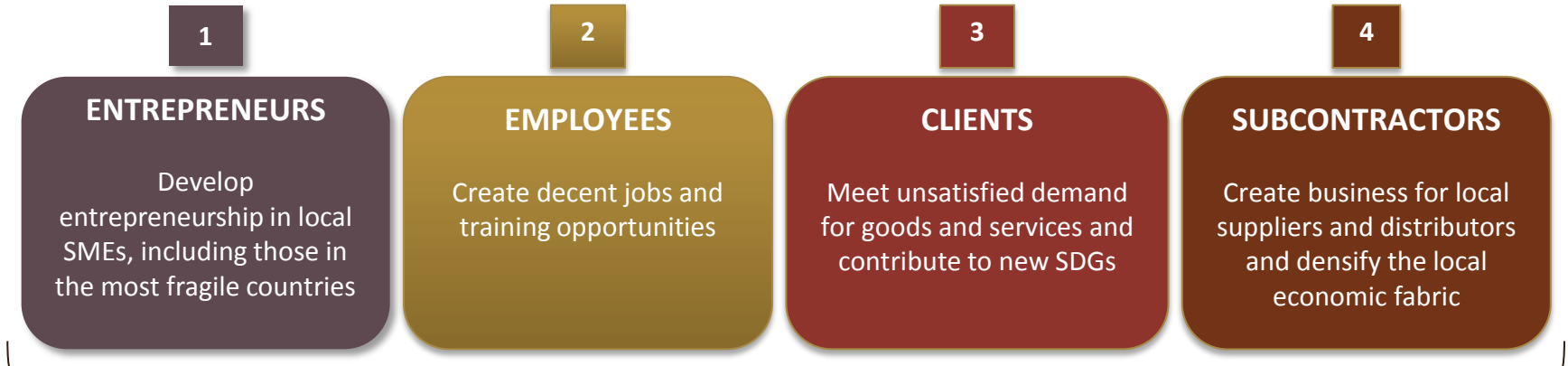
**2** IMPLEMENTING ESG ACTION PLANS

**3** MEASURING IMPACTS ON LOCAL STAKEHOLDERS

**4** ENHANCING OUTREACH & IMPACT WITH ADVOCACY

# ESG AND IMPACT OVERARCHING GOALS

Pursuit of four specific impact objectives and strong ESG performance



WHILE FOSTERING ENVIRONMENTALLY FRIENDLY DEVELOPMENT

## ESG APPROACH

We are committed to **improving our portfolio companies' Environmental, Social and Governance-related (ESG) practices**, to enhance positive impacts and to mitigate potential negative impacts.

- We aim at building 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
  - As much as possible, we promote actions creating combined societal and economic value

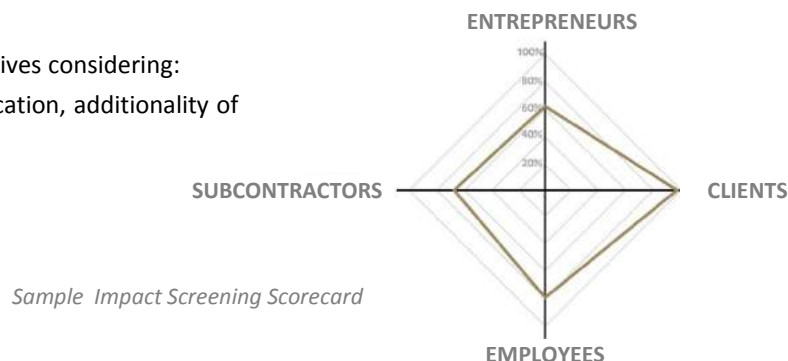
# IMPACT MANAGEMENT – PRE-INVESTMENT

## Screening investment projects on ESG & impact

### ASSESSING PROSPECTIVE IMPACTS

For each of its impact funds, the I&P team uses **Impact Screening Scorecards** to:

- **Screen investment projects** for alignment with the fund's core impact objectives considering:
  - Impact on local entrepreneurship (entrepreneur nationality and location, additionality of the investment, etc.)
  - Impact on employees (creation of decent jobs)
  - Impact on clients (meeting of local and essential needs)
  - Impact on local suppliers & distributors
  - Impact on environment
- Identify ways to **improve overall impact**



### EVALUATING ESG RISK AND ESG MANAGEMENT

The I&P team rates **ESG risk** (high, medium or low), as well as the **level of ESG management** (good, average or poor)

ESG risk rating categories are based on **international standards** (IFC, CDC)



### CONDUCTING ESG RISK DUE DILIGENCE

Includes an **in-depth analysis of the following ESG-related matters as an integral part of the assessment:**

- **Social considerations** including, but not limited to, working conditions and human resources management, occupational health and safety, and impact on local communities
- **Environmental considerations**, such as water and waste management, carbon footprint and energy efficiency, impact on biodiversity, etc.
- **Governance-related considerations**, such as business integrity and corporate governance framework

# IMPACT MANAGEMENT – POST-INVESTMENT

## Impact and ESG monitoring until exit

### IMPLEMENTING ESG ACTION PLANS TO GENERATE ECONOMIC AND SOCIETAL PERFORMANCE

- The investment team works with partner companies on **ESG actions** that generate economic value and are fully integrated into the company's operations.
- Partner companies legally undertake implementing and monitoring of these ESG action plans, and a contact person is appointed to oversee the process.
- **Bi-annual meetings** with the company's management team are set up to assess progress made and to update the action plan.

### MEASURING ESG & IMPACT RESULTS ANNUALLY



#### Annual Collection & Analysis of Impact Indicators

I&P measures investee performance with an **in-house IM tool** based on IRIS metrics. Close to **one hundred indicators** are collected and analyzed every year to assess partner companies' impacts on their local stakeholders:

#### Impact on staff

- Job creation
- Job patterns (gender, wages, etc.)
- Employee training and other advantages

#### Impact on clients

- Quantity of goods/services provided (company-specific metrics)
- Number of clients (company-specific)

#### Impact on suppliers & distributors

- Number and share of local suppliers and distributors

#### National value added

- Contribution to state revenues, GDP and exports



#### 360° Impact studies (available on I&P website, in the section dedicated to resources)

Once a year, I&P conducts in-depth impact studies on one or two partner companies. A 4- to 5-member team conducts a field survey among local stakeholders to evaluate the company's impacts. Practical recommendations are provided, followed-up on by the investment team.

### ENSURING GOOD IMPACT MANAGEMENT AFTER EXIT

- I&P selects buyers who **allow for the durability of the company's impacts and ensure good ESG practices**.
- Impact management issues are included in exit discussions with the selected purchaser(s) **and in legal documentation**.

# ESG METHODOLOGY – PRI ASSESSMENT

## Best in class practices according to PRI assessment

### UN Principles for Responsible Investment Pilot Assessments



- International network of investors: implementation of **6 Principles for Responsible Investment**
- **Second assessment reports** based on I&P 2016 report to the PRI
- Based on three modules, on a scale of A+ to D: overarching approach, private equity and inclusive finance (for microfinance)

Module	STRATEGY AND GOVERNANCE	
TOTAL SCORE	29★ (out of a maximum 30★ from 10 indicators including the following additionally assessed indicators: SG 07a, SG 07b, SG 10)	<ul style="list-style-type: none"> <li>▪ Excellent score, placing I&amp;P among the top performers of its category</li> </ul>
Band	A+	<ul style="list-style-type: none"> <li>▪ To achieve the best score (30/30), increased disclosure of ESG commitments needed</li> </ul>

Module	PRIVATE EQUITY	
TOTAL SCORE	31★ (out of a maximum 33★ from 11 indicators including the following additionally assessed indicators: PE 06, PE 10, PE 12, PE 18)	<ul style="list-style-type: none"> <li>▪ Very good assessment, placing I&amp;P among the 25% best performers of its category</li> </ul>
Band	A	<ul style="list-style-type: none"> <li>▪ Improvement potential: more <u>formal</u> sustainability policies within partner companies</li> </ul>

Module	DIRECT – INCLUSIVE FINANCE	
TOTAL SCORE	48★ (out of a maximum 54★ from 18 indicators including the following additionally assessed indicators: No Additional Indicators)	<ul style="list-style-type: none"> <li>▪ Improvement (from B to A) since 2014</li> </ul>
Band	A	<ul style="list-style-type: none"> <li>▪ As a result of an increased focus on client protection principles and social performance management</li> </ul>



# IPAE - ESG & IMPACT REPORT



IMPACT THESIS AND PORTFOLIO OVERVIEW



**IMPACT MANAGEMENT IN 2016**

1

DEFINING ESG & IMPACT GOALS AND FRAMEWORKS

2

**IMPLEMENTING ESG ACTION PLANS**

3

MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4

ENHANCING OUTREACH & IMPACT WITH ADVOCACY



# CONTRIBUTION TO ENVIRONMENTAL CHALLENGES

## Addressing energy, waste and effluent issues

**48%**

of our partner companies **implement “green” projects**, as part of their products and services or as a way to mitigate their environmental impact (renewable energy, energy efficiency projects, CO2 capture or offset, waste or effluent management, sustainable agro-business projects, etc.)

### PROMOTE ENVIRONMENTAL OPPORTUNITIES

**25%**

of IPAE’s partner companies provide products & services involving positive impacts on environment



#### FOCUS ON IPAE POSITIVE CONTRIBUTIONS

- **In the construction industry**, SOFAMAC provides clay bricks with the following environmental advantages in comparison with other construction materials: high insulating properties, less energy consuming manufacturing process, entirely recyclable products.
- Four IPAE companies propose **equipment and/or services with environmental benefits**:
  - Conergies - Energy efficient cooling and AC systems
  - Delta Irrigation - Water-saving irrigation systems
  - Enval - Air and water quality **analysis**
  - PEG - Solar systems for rural households
- **In aquaculture**, IOT’s innovative project in sea cucumber breeding in Madagascar reintroduces natural stocks of sea cucumbers, which are overexploited albeit very useful to local eco-systems.

### MITIGATE POTENTIAL NEGATIVE IMPACTS



#### REDUCING THE PORTFOLIO CARBON FOOTPRINT

##### OUR APPROACH

- At their modest scale, partner companies can play an active role in experiencing and sharing **new and replicable energy efficiency and renewable energy solutions**
- Ultimately, we aim at decoupling investees’ economic growth from their carbon growth and set an example

##### OUR ACTIONS

- We assess the **portfolio’s carbon emissions** on a yearly basis to identify the main sources of reduction or offset
- We are implementing specific and systematic actions to **promote energy efficiency and renewable energy**



#### MANAGING WASTE AND EFFLUENT ISSUES

**55%**

of our partner companies are faced with significant waste and/or effluent management issues

Environmental impact assessments conducted by external experts include specifications about waste and effluent management, added to ESG action plans.

# FOCUS ON ENERGY-RELATED MEASURES

## Update on energy-related actions



### OUR APPROACH

Our investees can play an active role in experiencing and sharing innovative and replicable energy-related solutions. For energy-consuming projects, energy screenings are now systematic but need to be carried out as early as possible in the investment process (to include specifications in the equipment list).



30%



of our partner companies are using renewable energy in their mix



### MAIN ACHIEVEMENTS IN 2016



#### ENERGY EFFICIENCY

- **Pharmivoire:** Energy saving system for the boiler now operational in the new pharmaceutical production unit
- **Eden Tree:** Biogas production with a composter at the new agroprocessing facility
- **Conergies:** Energy efficient air conditioning new representing 85% of total air conditioning sales (target for 2017: 90%)
- **CCM:** plans to use sawdust as a fuel for quicklime production



#### RENEWABLE ENERGY

- **Ultramaille:** Installation of a hybrid system for energy optimization with solar power under study (estimated cost: EUR 150k)
- **Eden Tree:** Plans to implement a solar PV system to reduce energy costs and carbon footprint (feasibility study)
- **PEG:** Installation of 11,356 new solar kits for underserved rural households in 2016



#### CREATION OF A TASK FORCE ON ENERGY ISSUES

- Initiative to share experience and contacts with regard to access to energy and energy issues within partner companies

# PROMOTING INTERNATIONAL E&S STANDARDS

Compliance with best standards, to achieve healthy growth

## Microfinance

Implementing the SPTF Universal Standards for Social Performance Management

### CUSTOMER PROTECTION PRINCIPLES

I&P and its portfolio MFIs are signatories of the SMART campaign ([www.smartcampaign.org](http://www.smartcampaign.org)), which helps provide MFIs the tools to prevent client over-indebtedness, ensures transparency about lending conditions, and facilitates implementation of consumer complaint mechanisms

### SOCIAL PERFORMANCE MANAGEMENT

Three institutions have implemented social performance management (SPM), in line with universal standards (<https://sptf.info>)

<b>Oxus</b>	<ul style="list-style-type: none"> <li>▪ SPM committee operational since end of 2015</li> <li>▪ Full assessment based on SPI4 tool (71/100), training of key staff, SPM reporting since 2016</li> </ul>
<b>ACEP Burkina</b>	<ul style="list-style-type: none"> <li>▪ Assessment based on ALINUS tool in September 2016 (42% for social performance and 75% for client protection)</li> <li>▪ Training on social performance, implementation of an action plan</li> <li>▪ Drafting of a code of ethics</li> </ul>
<b>ACEP Madagascar</b>	<ul style="list-style-type: none"> <li>▪ Appointment of an SPM coordinator</li> <li>▪ Technical assistance mission in preparation (June 2017) and to be carried out by CERISE</li> </ul>

## Export-oriented companies

Compliance with international standards to promote sales and ensure good practices

<b>SCRIMAD</b>	<ul style="list-style-type: none"> <li>▪ TA mission conducted by a local NGO to engage producers in an <b>organic &amp; fair trade labelling process</b> (target: 30% of its producers certified)</li> </ul>
<b>Ultramaille</b>	<ul style="list-style-type: none"> <li>▪ Products certified by the <b>Global Organic Textile Standard</b>, an international inspection agency, certification and quality assurance of eco-friendly products (no use of hazardous chemicals)</li> </ul>
<b>PDS</b>	<ul style="list-style-type: none"> <li>▪ Fishing activities are certified by the <b>Marine Stewardship Council (MSC)</b>, the widely respected international label that testifies to the sustainability of a company's fishing activities</li> </ul>

# HUMAN RESOURCES & TRAINING

Towards improved and more formalized HR practices



**SDG 4.4**  
Promote lifelong learning opportunities

**73%**

of our companies have done  
at least one training in 2016

**€436 K**

training  
budget in 2016

**1,685**

employees  
trained in 2016

Two thirds of our partner companies have formal human resources management,  
and all are committed to further improving their practices

**65%**

have staff in  
charge of HR

**65%**

have a formalized  
HR policy

**65%**

have a formalized  
salary grid

**50%**

provide or ease access  
to employee loans

**46%**

have staff  
representation systems

## HUMAN RESOURCES MANAGEMENT AND COMPLIANCE WITH LABOR LAWS – MAIN ACTIONS IN 2016

- **I&P entrepreneurs annual training seminar in October 2016:** Follow-up session to last year's seminar dedicated to social responsibility towards employees
- **Compliance with labor laws:** Work with two partner companies on upgrading work contracts and formalizing existing employees
- **Customized support on human resources management:** One assignment in process and two assignments in preparation

# HEALTH INSURANCE & SOCIAL PROTECTION (1)

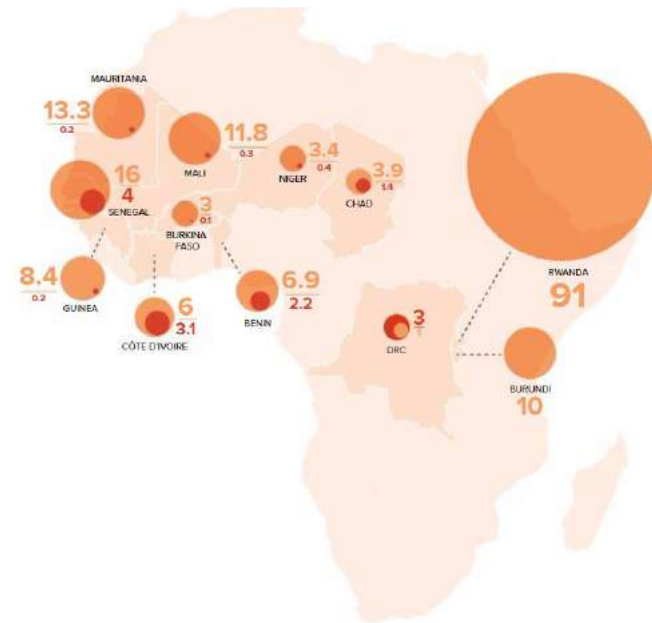
## Current performance of partner companies

### CURRENT SITUATION IN AFRICA

As described below, **health insurance coverage remains extremely low in Africa**, from 3% to 20% in West Africa

■ Mandatory insurance ■ Voluntary insurance

Source: data compiled from Preker and coll. (2010), Barroy and coll. (2015)



### CURRENT SITUATION IN PARTNER COMPANIES

Country	Context	Performance of partner companies	Improvements since investment
Senegal	Collective insurance scheme ("IPM") including health insurance	The 4 portfolio companies provide private health insurance	Implementation of the system in 3 companies
Burkina Faso	Basic system only covers work accidents	2 out of 3 companies provide a private or in-house health insurance system	Implementation of the system in 1 company
Cameroon	Basic system only covers work accidents	1 out of 2 companies provides private health insurance	No significant improvement
Madagascar	Basic system includes health insurance	The 4 portfolio companies provide health insurance and 2 provide additional services	Upgrades for 2 companies
Ghana	Basic system includes health insurance	The 3 portfolio companies provide basic health insurance	Upgrades for 2 companies
Côte d'Ivoire	Basic system only covers work accidents	The 3 portfolio companies provide private health insurance	Implementation of the system in 2 companies and upgrade in process for 1 company
Other countries	2 companies provide in-house systems, 3 companies rely on the public system, and 1 company provides private insurance		Implementation of the system in 2 companies

For more information: Private Sector & Development, PROPARCO's Magazine, on the African Insurance Sector  
 Weblink: [https://issuu.com/objectif-developpement/docs/proparco\\_revuepsd\\_n25\\_uk/1?e=4503065/39027290](https://issuu.com/objectif-developpement/docs/proparco_revuepsd_n25_uk/1?e=4503065/39027290)

# HEALTH INSURANCE & SOCIAL PROTECTION (2)

## Main actions and focus on two case studies



**SDG 3.8**

**Achieve universal health coverage**

**90%**

of our companies  
provide health insurance

**50%**

have implemented or upgraded their  
system since IPAE's investment

### Main actions to date:

- **In 2015:** Feasibility study completed on health insurance systems in partner companies and training during the entrepreneurs' annual seminar
- **In 2016:** A technical assistance contract was implemented with a health insurance specialist:
  - ✓ To help partner companies implement or upgrade their health insurance systems
  - ✓ To launch pilot initiatives at the portfolio level (sharing occupational physicians, assistance on stats tracking, definition of minimum health benefits)



### FOCUS ON PHARMIVOIRE

- Implementation of a health insurance program in **March 2017**
- **Beneficiaries:** 34 employees covered and **131** total beneficiaries
- **Main health benefits:** Medical consultations, hospitalization, maternity, dental and optical care
- **Employee contribution:** 30%
- **SUNU Assurances** selected after a bidding process
- **Main issues:**
  - Limited company and employees financial means
  - Ensuring "buy-in" from employees



### FOCUS ON ACEP BURKINA

- Implementation of a health insurance program in **February 2016**
- **Beneficiaries:** 94 employees covered and **194** total beneficiaries
- **Main health benefits:** Medical consultations, hospitalization, maternity, dental and optical care
- **Employee contribution:** 20%
- **Allianz Burkina** selected by Gras Savoye, an insurance broker, out of 3 proposals
- **Main issues:**
  - Meeting employee needs with an affordable system
  - Lack of health centers in secondary cities

# HEALTH & SAFETY AT WORK

## Production-related risks and road safety under close scrutiny



SDG 8.8

Promote safe and secure working environments

50%

of our companies have implemented measures to **enhance safety at work** (formalized processes, employee training, etc.)



### MONITORING OF INDUSTRIAL AND SANITARY RISKS

- During the due diligence phase, impact assessments or technical audits are conducted for all projects involving significant risk.
- Most ESG action plans include actions related to health and safety at work.



### ROAD SAFETY REMAINS A MAJOR HEALTH AND SAFETY RISK

- New partner companies receive I&P's **list of recommendations and best practices** to support implementation of road safety procedures.
- The investment team regularly raises the road safety issue during board meetings and other meetings with the management.
- One serious road incident reported in 2016.



### FOCUS ON NEST

- After an initial assignment in 2013, a French expert travelled one month in Dakar (Senegal) in April 2017 to promote **safe, quality-secured healthcare processes** for patients and staff at Nest.
- A **training plan for the medical staff** has been implemented and now requires a close follow-up.
- The ultimate objective is to comply with international best standards and to engage in a **certification process**.



# ADDRESSING THE GENDER GAP (1)

## Women's access to entrepreneurship and leadership positions



SDG 5.5

Ensure women's full participation in leadership



### FOCUS ON MAIN FIELDS OF ACTION

We work on more proactive **development of our pipeline of women led or owned companies**. Our experience is that women ownership or management is usually strongly correlated with other positive impacts for women at the employee, supplier and client levels.

Sourcing efforts will include the following actions:

- Initiating or consolidating **partnerships with women's business associations and networks** in each target country and across the continent
- **Proactive sourcing of investment projects in sectors where women entrepreneurs are well represented** (e.g., agribusiness, health, business services, financial inclusion)
- **Advocacy for women entrepreneurship** as a priority of our advocacy policy

### REPRESENTATION OF WOMEN

#### AFRICA\*

5%

of women CEOs in  
Africa\*

14%

of board members\*

23%

of executive  
committee members\*

#### IPAE PORTFOLIO

20%

of women owned  
or led companies

20%

of board members

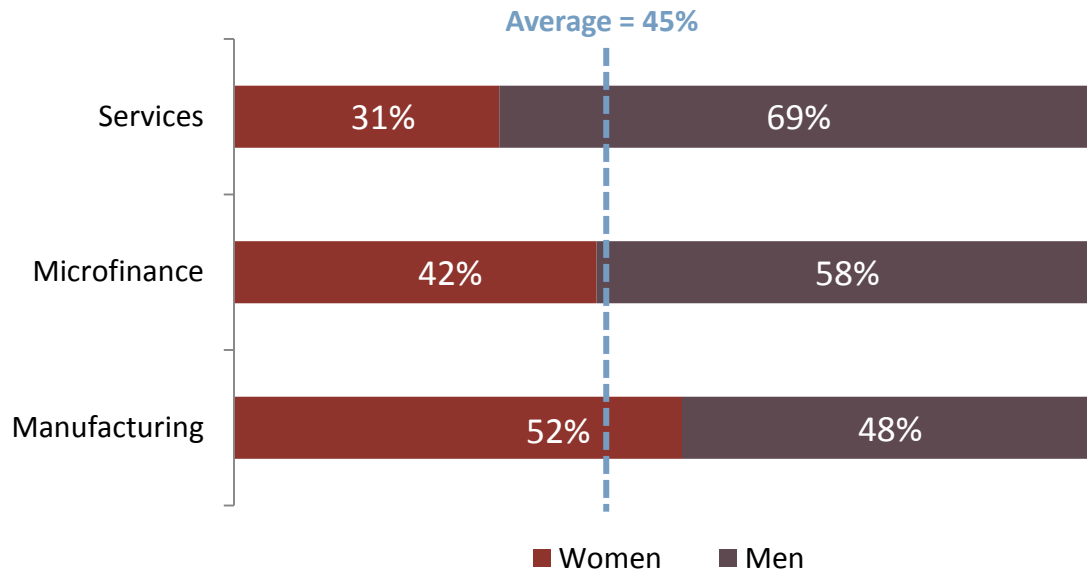
30%

of senior  
leadership positions

# ADDRESSING THE GENDER GAP (2)

## Women's access to decent jobs and training opportunities

*Gender breakdown in IPAE portfolio by sector*



### FOCUS ON I&P GENDER STRATEGY

- **TEAM SEMINAR:** Training workshop in October 2016 on how to incorporate gender issues at these levels:
  - **I&P team:** How to attract and retain more female employees in the investment team?
  - **I&P sourcing:** How can we source more women owned/led companies in Africa?
  - **I&P partner companies:** How can we promote gender employment within partner companies, including for senior leadership positions?
- **DRAFTING OF A GENDER STRATEGY** for I&P, to be released and communicated soon.

Representation of women in manufacturing is mainly explained by two new job intensive partner companies:

- Ultramaille in Madagascar - 68% women, most of them working on textile production
- Barajji, selling beverages in Burkina Faso (52% women)

This gender breakdown is in line with Mac Kinsey study benchmarks.

# FOSTERING GOOD GOVERNANCE (1)

Shared governance with a majority of boards including independent(s)



## KEYNOTE

Main actions to enhance corporate governance by the NEPAD and the African Peer Review Mechanism member countries include:

- Regulations to foster economic activity as well as subsidies when necessary
- Development of companies' responsibility towards Human Rights, society and the environment (Corporate Social Responsibility, CSR)
- Fair and equitable treatment of all stakeholders (shareholders, employees, society, suppliers, customers)
- Accountability of all companies and administrators as well as mandatory disclosure of all relevant information
- Accounting and auditing procedures in line with national and international standards.

Source: 2011 African Development Report, African Development Bank

## 1

### IMPLEMENTATION OF A SHARED GOVERNANCE

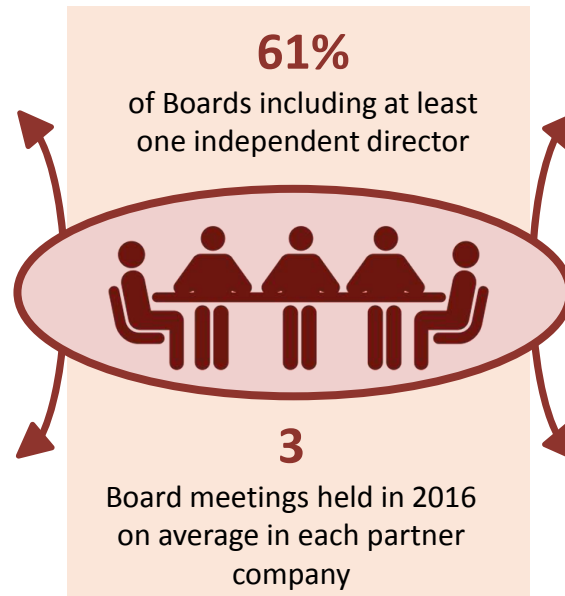
IPE requires the establishment of a Board of Directors to manage the company in a concerted manner. Board members include:

#### Entrepreneur(s)

Usually hold a majority stake and remain in charge of day-to-day operations. They are provided with strategic guidance, as well as additional skills and networks in a context of difficult access to talent and financing. This also improves the credibility of the business vis-à-vis external partners.

#### One or two independent director(s)

are included when appropriate and possible, to bring additional expertise with an independent view. In situations of conflict, they can play a useful mediatory role.



#### One or two IPAE members of the investment or strategic advisors' teams as part of the I&P's commitment to providing close support to the entrepreneurs. With respect to ESG, they ensure that extra-financial considerations are regularly raised and discussed.

**Other minority shareholders** might be represented in some cases.

# FOSTERING GOOD GOVERNANCE (2)

## Transparent & reliable accounting, fiscal and management practices

### 2

#### UPGRADING OF ACCOUNTING AND REPORTING PRACTICES

##### OUR CONTEXT

- IPAE invests in fast growing companies, which absolutely need to strengthen their internal capacities to achieve sustainable growth.
- In particular, financial and accounting practices generally need to be upgraded to enable both management and shareholders to adequately track the company's performance.

##### OUR ACTIONS

##### Audited accounts

We require that annual accounts be audited by statutory auditors, to ensure reliable accounting practices that fully comply with fiscal obligations.

##### Training seminars

In 2013 and 2014, entrepreneur training seminars focused on financial management and management information systems, respectively.

##### Technical assistance

Customized assistance is provided to several partner companies – see key figures on the right.

6

companies with TA missions focused on management control and financial budgeting

5

Manuals for financial and accounting written.

5

companies with TA missions focused on management information systems.

### 3

#### ZERO TOLERANCE POLICY OF FRAUD AND CORRUPTION

Good governance involves impeccable integrity at all levels of the company. No matter how complex the situation, I&P will not tolerate corruption or bad practices, even if it means giving up an investment opportunity.



# IPAE - ESG & IMPACT REPORT



IMPACT THESIS AND PORTFOLIO OVERVIEW



**IMPACT MANAGEMENT IN 2016**

1

DEFINING ESG & IMPACT GOALS AND FRAMEWORKS

2

IMPLEMENTING ESG ACTION PLANS

3

**MEASURING IMPACTS ON LOCAL STAKEHOLDERS**

4

ENHANCING OUTREACH & IMPACT WITH ADVOCACY

# PROMOTING AFRICAN ENTREPRENEURS

Support of local entrepreneurs, even in the most fragile countries

## Gender-diverse entrepreneurs and managers with local roots



**70%** of our partner companies led by Africans  
**80%** of our partner entrepreneurs rooted in Africa on the long term

**20%** led by African women

## Significant local and international experience



**50 years old** on average  
**15 years** of **experience** in their sector

**70%** of the African CEOs **studied abroad**

## A great majority operating in the poorest and most fragile countries



**80%** of our partner entrepreneurs operating in Least Developed Countries and/or Fragile Countries





# ADDRESSING BASIC NEEDS IN AFRICA (1)

A majority of investments providing SDG-aligned essential goods and services

90%

of our partner companies address essential needs of the African population or African companies.

60%

of our partner companies provide goods or services that address **essential needs and contribute to the new SDGs**.

## GOAL 2: End hunger, improve nutrition and promote sustainable agriculture

- **Eden Tree:** Provider of fresh fruits, vegetables and herbs
- **TINCY:** Industrial bakery that produces and distributes bread



520

tons of fruits and vegetables sold in 2016



6,500

loaves of bread produced every day

## GOAL 3: Ensure healthy lives and promote well-being for all at all ages

- **NEST:** Quality healthcare for women and children in Senegal
- **Pharmivoire:** Intravenous fluids for Ivorian medical centers



3,700

visits at the clinic in 2016



313

babies born in 2016 in NEST facilities

## GOAL 4: Ensure inclusive and equitable quality education

- **Enko Education:** Renowned and high quality education provider with a scholarship scheme



450

students in 2016

## GOAL 5: Achieve gender equality and empower all women and girls



50%

of Enko students are women



50%

Of microfinance institutions' borrowers are women



# ADDRESSING BASIC NEEDS IN AFRICA (2)

A majority of investments providing essential, SDG-aligned goods and services

## GOAL 6: Ensure availability and sustainable management of water and sanitation for all

- **Barajji:** Produces and commercializes water and locally produced fruit juices
- **Delta Irrigation:** Saves water thanks to efficient irrigation systems



**1,200 ha**  
of irrigated land  
in 2016

## GOAL 10: Reduce inequality within countries



**33%**  
of NEST's patients  
are from working  
and middle classes



**10%**  
of Enko students  
have received a  
scholarship

## GOAL 7: Ensure access to affordable, reliable, sustainable and modern energy for all

- **PEG:** Brings off-grid solar energy access to rural and peri-urban communities in West Africa



**11,300**  
solar kits sold  
in 2016

## GOAL 8.3: Support productive activities and entrepreneurship, including through access to financial services

- **Microfinance (5 institutions):** Access to affordable loans for small scale enterprises



**70,000**  
borrowers in 2016

## GOAL 9: Build resilient infrastructure, promote inclusive and sustainable industrialization

- **SOFAMAC, Carrières et Chaux du Mali (CCM) and Carrières du Moungo (CDM):** Building material industries

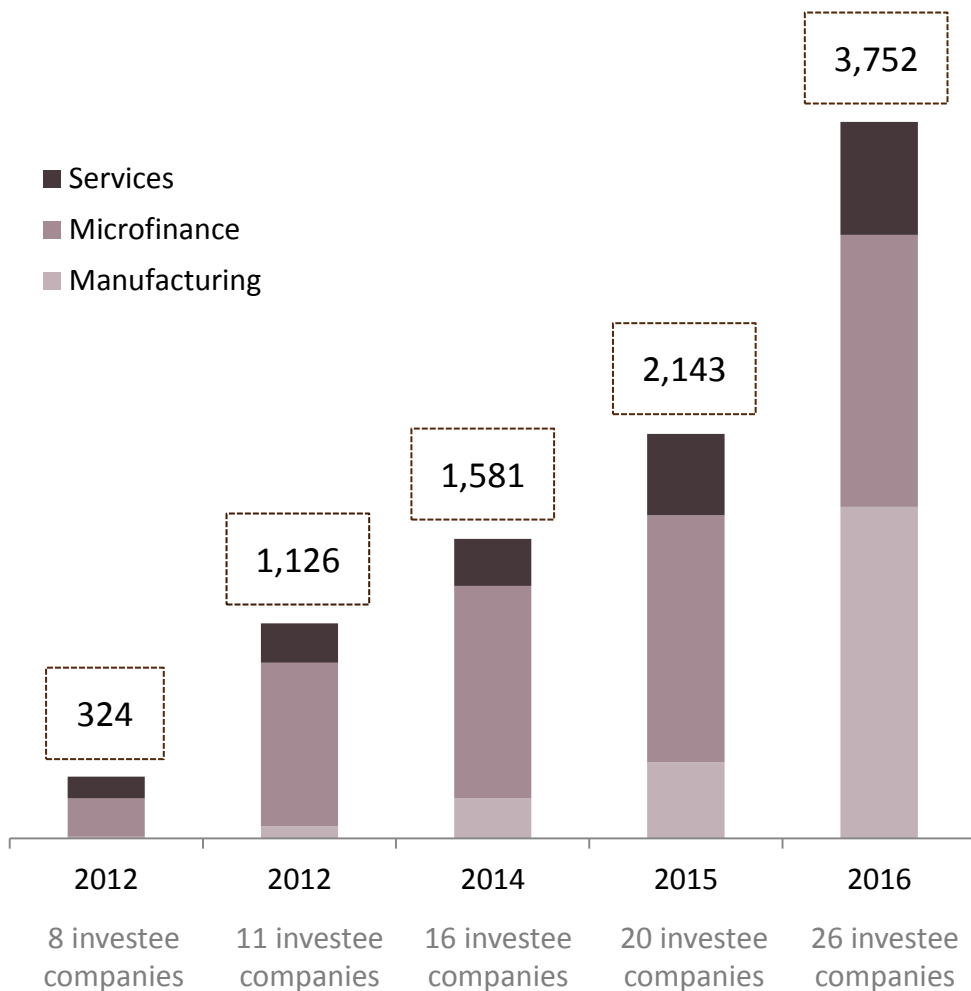
- **CONERGIES:** Air conditioning and industrial cooling systems using energy-efficient technologies



- **ENVAL Laboratoire:** Microbiological and physico-chemical tests and analysis

**10,000**  
tons of building  
materials in 2016

# JOB CREATION



## SDG 8.6

Reduce the proportion of  
youth not in employment

**275**  
young employees  
(under 25)



## KEYNOTE

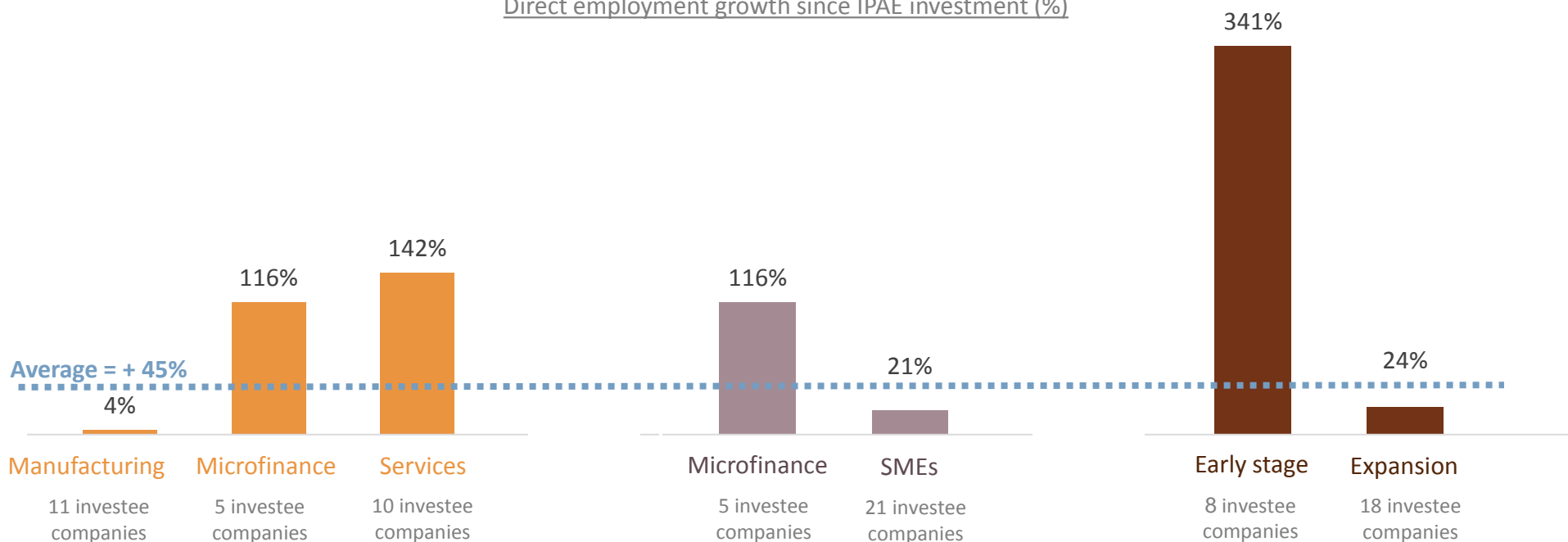
The McKinsey Global Institute states that 72 million new jobs are to be created in Africa by 2020, while 122 million people are expected to enter the job market over the same period.

*(Africa at work: job creation and inclusive growth, 2012)*

# JOB CREATION

45% direct employment growth since IPAE's investment

Direct employment growth since IPAE investment (%)



**45%**  
direct employment  
growth since IPAE's  
investment

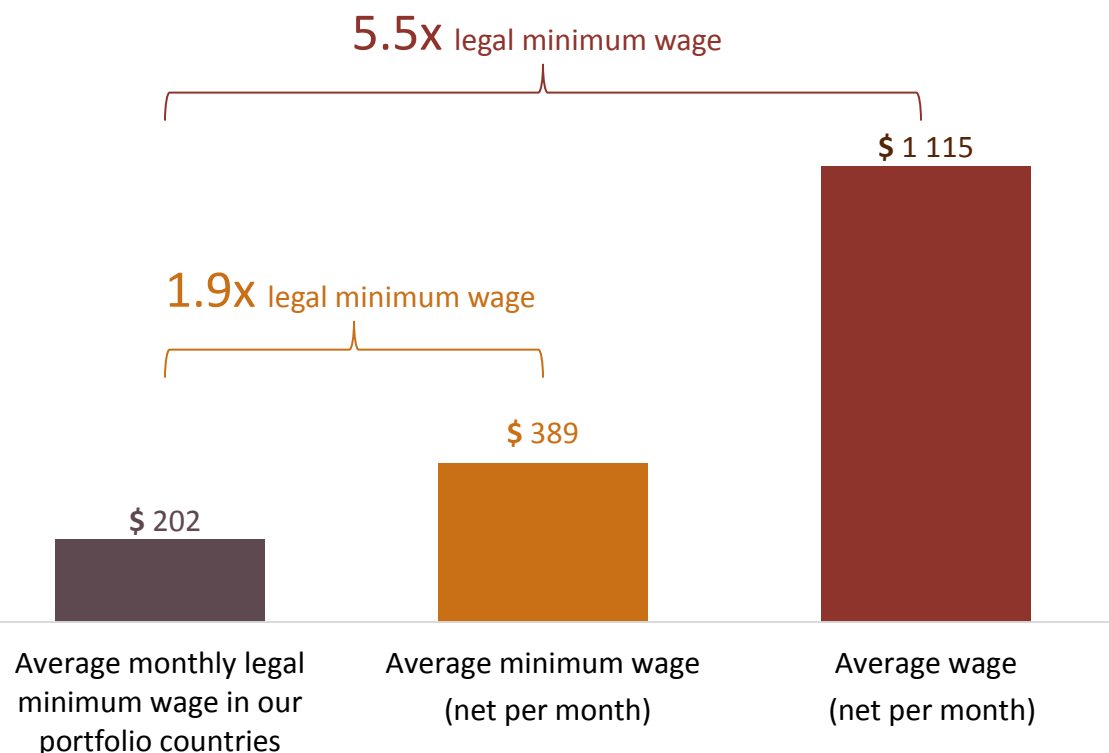


**15%**  
employment growth in PE-  
backed companies in Africa  
over the investment period  
(AVCA, 2016)

- As expected, early stage companies (created less than 18 months before IPAE's investment) confirm their **strong job creation potential**.
- Microfinance and services enterprises tend to create many jobs.** They are job intensive but this can also be explained by their development stage (more than half are start-ups).
- Manufacturing projects** mainly increase productivity and maintain a large number of jobs but tend to create few jobs.

# LEVEL OF WAGES (US\$, PPP)

An average minimum wage 93% higher than the legal minimum wage



We use the Purchasing Power Parity (PPP) conversion rate to control for the variable cost of living among countries.

(\*) Bhorat H., Kanbur R. and Stanwix B. (2015). Minimum Wages in Sub-Saharan Africa: A primer. IZA DP No 9204.

**€42.9  
million**

in wages paid to  
employees since  
2012

**€16.4  
million**

in wages paid to  
employees in 2016



**SDG 8.5**

Decent work for all

The average net monthly wage in portfolio companies is around 70% higher than the average wage in sub-Saharan Africa.

**\$1,115**

Average wage in  
portfolio companies

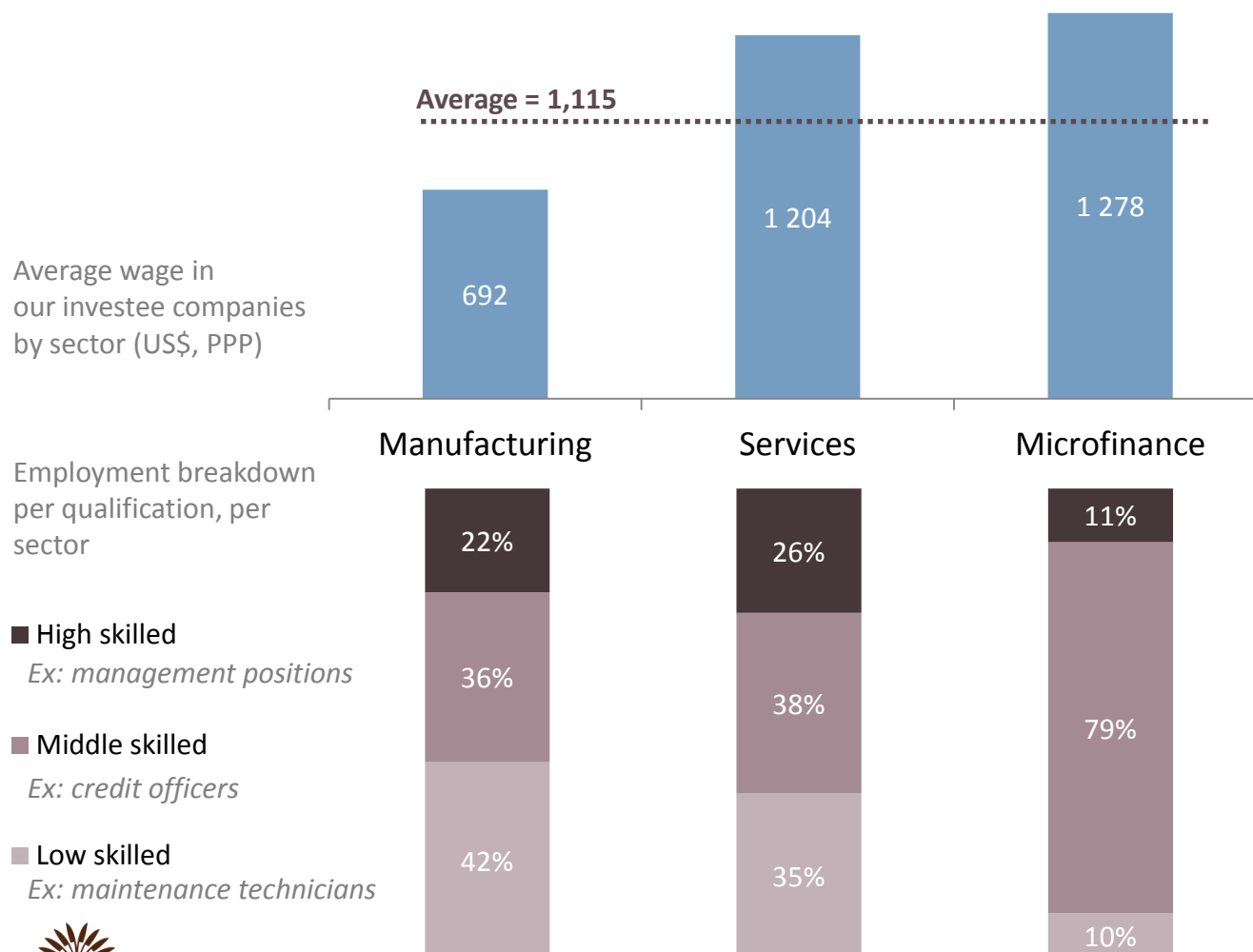


**\$657**

Average wage in Sub-  
Saharan Africa (\*)

# WAGES AND QUALIFICATIONS

53% middle-skilled employees



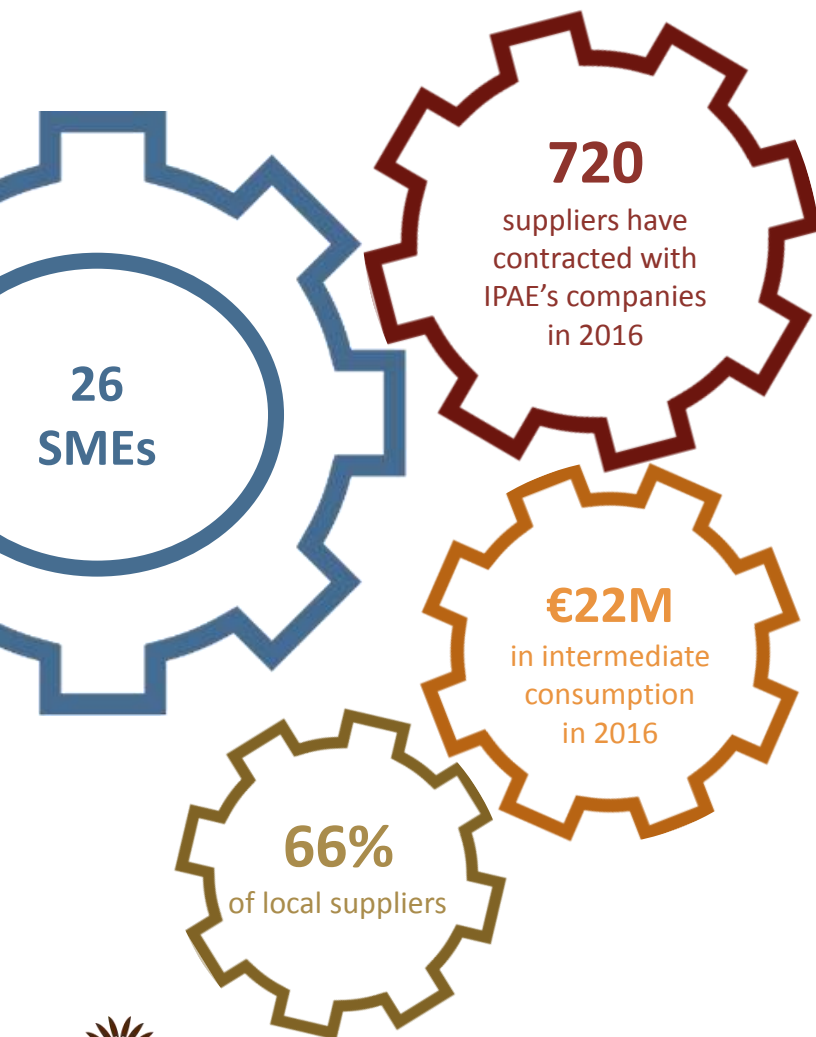
- **The services and microfinance sectors** offer better average wages. This can be explained by the high proportion of skilled jobs, as in the IT sector.



- **The manufacturing sector** offers lower wages because it accounts for a majority of low-skilled jobs. It provides low-income people who lack education with a stable wage.

# RIPPLE EFFECT ON LOCAL SUPPLIERS

SMEs build local networks of subcontractors



## AGRIBUSINESS

Agribusinesses, in particular, generate business and income for thousands of local farmers.



**1,700 tons** of fruits and vegetables collected in 2016 by SCRIMAD and Eden Tree



**€500K** payments made to small producers



**1,568** small producers reached in 2016 by SCRIMAD, Eden Tree and IOT



**25%** of small producers are women

## TECHNICAL ASSISTANCE

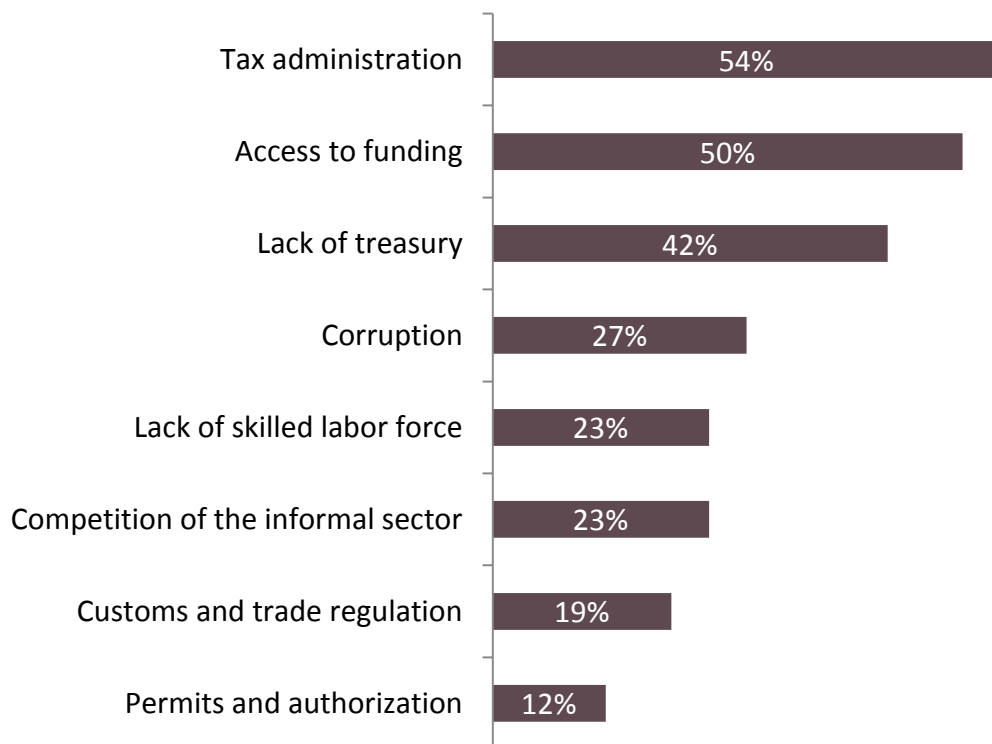
IPAE agribusiness investments play a key role in structuring local sectors. They rely on outgrower schemes and provide local farmers with technical assistance and other inputs (financing, seeds, etc.)

**70%** of small producers have received TA and inputs

# FUNDRAISING AND FISCAL CONTRIBUTIONS

A leverage effect of €1.4 for each €1 invested

## Main obstacles faced by our investee companies during their development process



*\* This figure is computed by dividing the amount invested (equity and debt) by other investors than IPAE at the time of the initial investment, by the amount of IPAE investment (equity and debt).*



**SDG 17.1**  
Strengthen domestic  
resource mobilization

**€13 million**  
in taxes paid to the  
authorities since 2012

## LEVERAGE EFFECT OF IPAE's INVESTMENT



**SDG 17.3**  
Mobilize additional financial resources

- SMEs face significant difficulty securing external financing from local commercial bank and other traditional financiers.
- We assist our partner companies in their negotiations with other local or international financial institutions or by participating in the search for new shareholders using our networks.



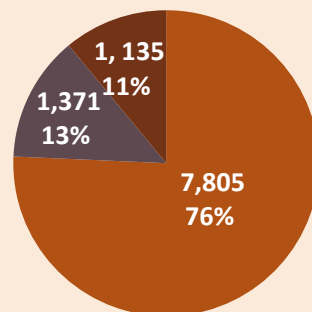


# ASSESSING THE PORTFOLIO'S CARBON FOOTPRINT

## Carbon emissions by scope and category

### GHG EMISSIONS BY SCOPE IN 2016

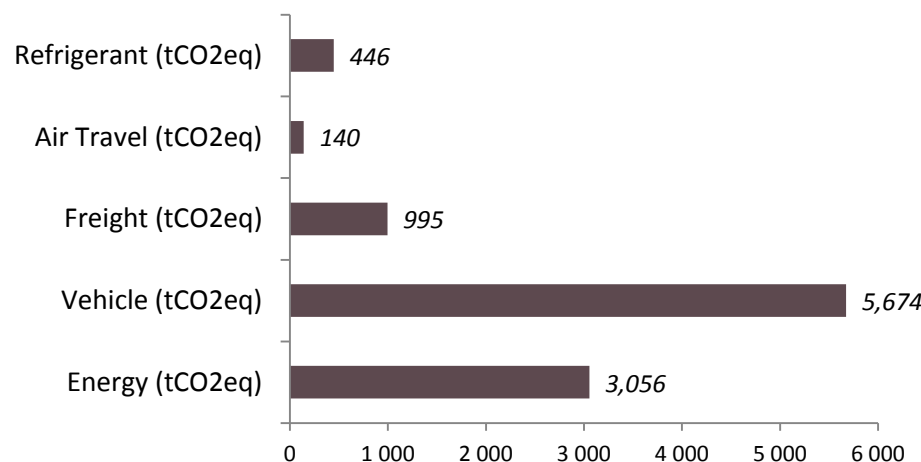
A **carbon footprint** is measured in **tons of carbon dioxide equivalent (tCO<sub>2</sub>e)**. The carbon dioxide equivalent allows the different greenhouse gases (GHG) to be compared on a like-for-like basis relative to one unit of CO<sub>2</sub>



**TOTAL: 10 311 tCO<sub>2</sub>e**

- **Total GES Scope 1** Emissions due to the company's direct activity
- **Total GES Scope 2** Indirect GHG emissions from consumption of purchased electricity, heat or steam
- **Total GES Scope 3** Other indirect emissions, (production of purchased materials and fuels, transport-related activities in vehicles not owned by the company, outsourced activities, etc.)

### GHG emissions by category in 2016



### LARGEST SOURCES OF EMISSIONS



**55% result from vehicles:** These direct emissions stem from company-owned vehicles, 80% resulting from two transportation companies (VRS and Bakou)



**30% result from energy:** Some companies need energy to run their factories (SOFAMAC, Pharmivoire, SCRIMAD) or for their offices (FTB).

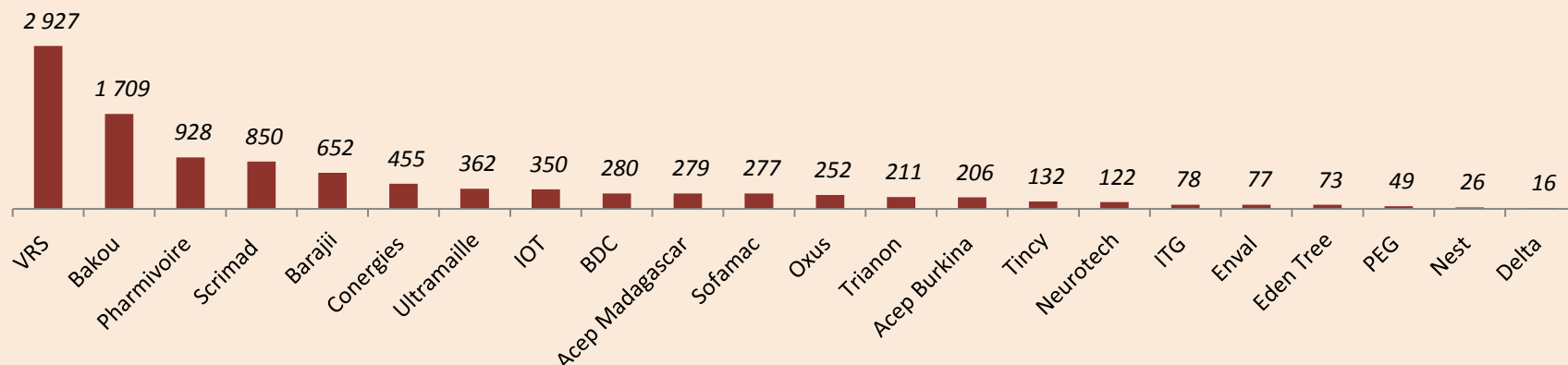


**10% result from freight** (shipping, air or road transport for equipment or goods)

# ASSESSING THE PORTFOLIO'S CARBON FOOTPRINT

## Carbon emissions by company

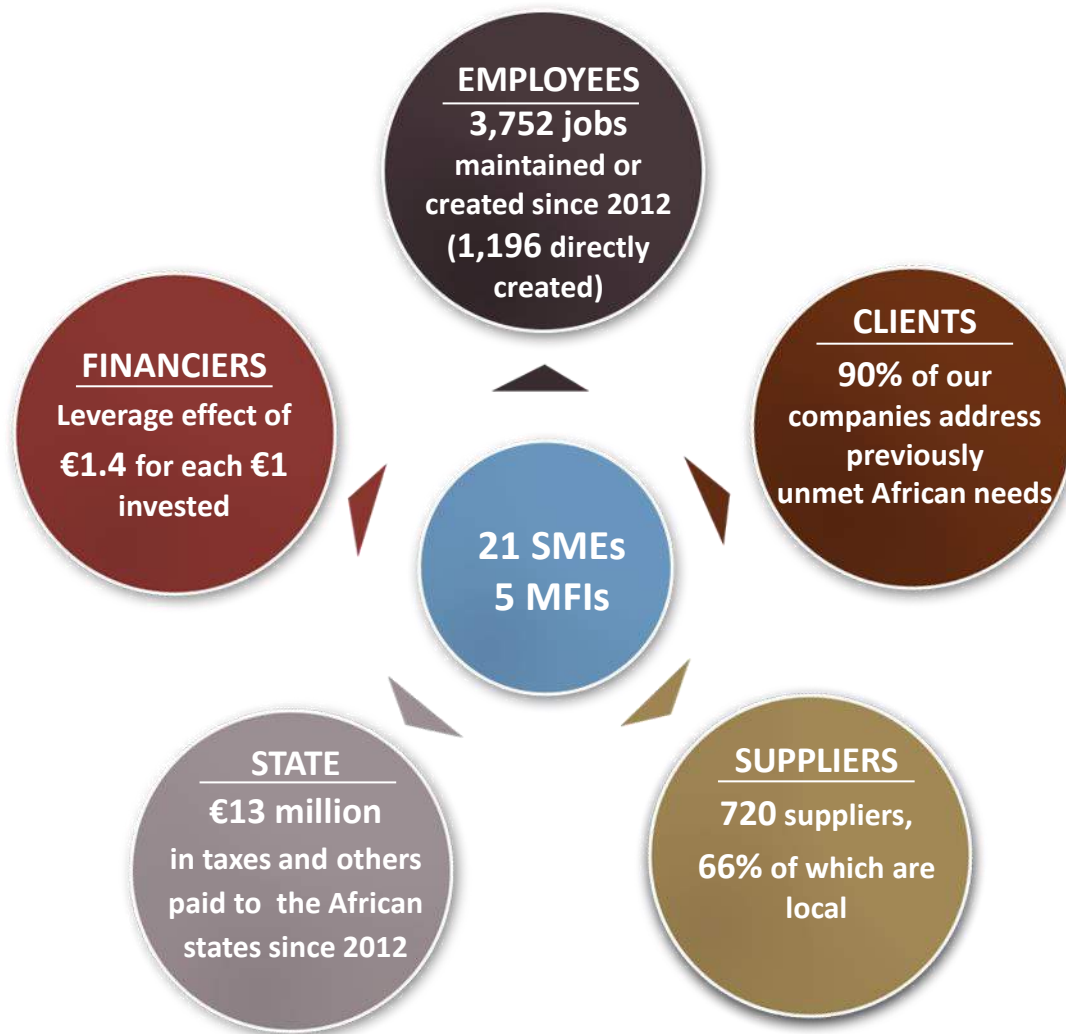
### GHG EMISSIONS BY COMPANY IN 2016



### LARGEST EMITTERS

- Unsurprisingly, two **transportation companies** (Bakou and VRS) are the largest emitters, representing 45% of the total portfolio emissions. In the case of VRS (car rental service), this impact is, however, indirect, depending on clients' use of the service.
- **Industrial companies** (SOFAMAC, Pharmivoire, SCRIMAD and Barajii) are involved in energy-consuming activities, with above-portfolio average carbon emissions.
- Due to the nature of its business, Conergies represents about 70% of the portfolio's **refrigerant emissions**.
- With numerous branches and vehicles, **MFIs** are larger emitters than other service companies.

# IN SUMMARY: IPAE'S MAIN IMPACTS IN 2016





# IPAE - ESG & IMPACT REPORT



## IMPACT THESIS AND PORTFOLIO OVERVIEW



## IMPACT MANAGEMENT IN 2016

1

DEFINING ESG & IMPACT GOALS AND FRAMEWORKS

2

IMPLEMENTING ESG ACTION PLANS

3

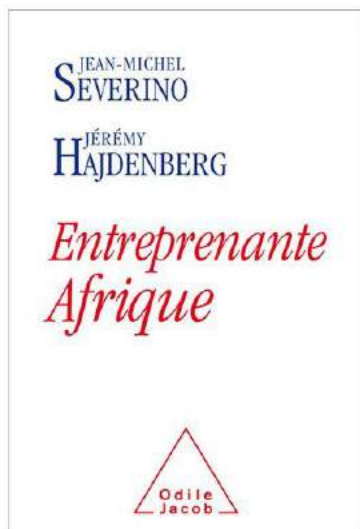
MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4

ENHANCING OUTREACH & IMPACT WITH ADVOCACY

# REVEAL THE KEY ROLE OF AFRICAN ENTREPRENEURS

With the book “Entreprenante Afrique”



In their latest book, Jean-Michel Severino and Jérémy Hajdenberg demonstrate how the economic growth and development of the African continent is being built upon a booming private sector, and most specifically through emerging startups and steadily growing small businesses.



## THE BOOK IS ABOUT:

- The **macroeconomic context** in Sub-Saharan Africa, and the three pillars on which African growth is based, with its specific challenges and opportunities: a booming domestic market, an improved macroeconomic environment and the rise of intra-regional trade
- **Stories of African entrepreneurs**, based in a dozen of countries and operating in various sectors (agri-business, tourism, energy...). These entrepreneurial adventures are no mere anecdotal cases, but rather draw a vibrant picture of Africa's future
- Possible **solutions to actively support these entrepreneurs** at the government levels, via national measures such as the Small Business Acts (SBAs)



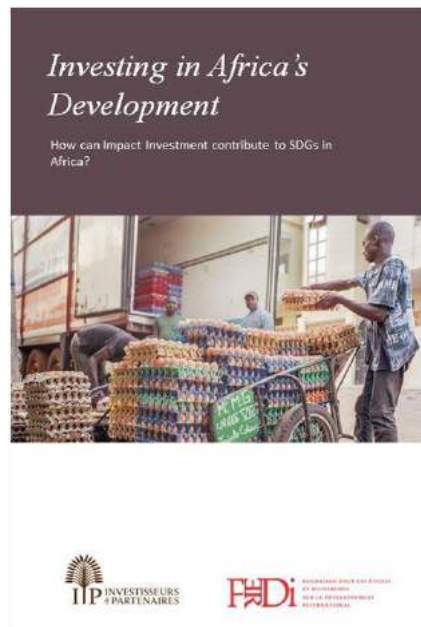
## IN THE NEWS



- [France Inter, 6/9](#), L'interview politique (01/10/2016)
- [Le Monde Afrique](#) (28/09/2016)
- [RFI, Eco d'Ici Eco d'Ailleurs](#), « L'Afrique entreprenante de Jean-Michel Severino » (01/10/2016)

# CONTRIBUTION OF IMPACT INVESTING TO SDGs

## With a study on impact investment in Sub-Saharan Africa



Download the study on:

[www.ietp.com](http://www.ietp.com)

(available in French and English)

I&P and the Foundation for International Development Study and Research (FERDI) have published a study on impact investment in Africa, entitled “Investing in Africa’s Development: How can impact investment contribute to SDGs in Africa?”

Impact investment offers a wide range of growth opportunities and represents an innovative and efficient answer to the development challenges of the continent.



### THE STUDY PRESENTS:

- The **main characteristics of impact investors**, and how they can contribute to solving development challenges
- The **landscape of impact investment in Africa**: 19% of total assets under management in 2015 were disbursed in Sub-Saharan Africa, but a very limited number of countries and sectors benefitted from it
- How **Impact Investment can contribute to meeting the SDGs in Africa**, grouped into 8 main “SDG investment areas” where the private sector can play a key role



### IN THE NEWS



- The study was presented by Emilie Debled at ANDE conference in September 2016 and by Samuel Monteiro during **ANDE’s December sector call**
- I&P introduced the study during its **annual meeting** in October 2016
- The study figures on the **GIIN’s knowledge center** ([link here](#))



# PROMOTE ENTREPRENEURS' VOICES IN AFRICA

## Advocacy projects of the Club



### FOCUS ON THE « CLUB AFRICAIN DES ENTREPRENEURS »

As of 2016, I&P has sparked the creation of an African Club of Entrepreneurs, an Ivory Coast based NGO that serves a threefold purpose:

- **Promote entrepreneurship in Africa** by shedding light on the activities of the members and promoting this initiative amongst different stakeholders, including youth and women
- **Foster opportunities:** Spark new types of interactions between the members, on the local, national, regional and pan African scales in order to share best practices and foster business opportunities
- **Enhance skills:** Both for the entrepreneurs and their employees in order to develop local human resources



### ADVOCACY PROJECTS IN 2016

- Organized an event aimed at promoting entrepreneurship in collaboration with the AfDB with strong media coverage
- Discussed member concerns with the Ivorian Ministry of Trade
- Published articles and arranged for members to be interviewed by various media outlets

#### Narcisse Zolla 43 ans, Bénin Entrepreneur dans l'âme

Ce Béninois actif dans le secteur des mines et des matériaux de construction reconnaît bien volontiers qu'il est plus entrepreneur que manager. À la tête de cinq sociétés, Narcisse Zolla a participé au LeAD Campus avec un objectif: mettre en place un dispositif pour mieux les administrer, alors qu'il envisage de sortir du capital de sa PME spécialisée dans l'extraction de gravier, Normat Bhelix, pour n'en conserver qu'une part minoritaire. Il compte ainsi investir davantage dans ses autres activités, dans les transports et l'énergie solaire. « Quand une société atteint cette taille, sa gestion ne m'intéresse plus. Mon objectif, d'ici à dix ans, est d'avoir une quinzaine de PME de la taille de ma société minière d'aujourd'hui. » Il avait un temps envisagé de créer un fonds,



mais ses échanges avec d'autres participants l'ont convaincu de créer un cabinet qui superviserait l'ensemble de ses sociétés, une sorte d'incubateur à la mesure de son entreprise. ●

Publication in Jeune Afrique about one of our Beninese members  
September 2016



President Kacou's meeting with J.L. Billon – Ivorian Ministry of Trade  
June 2016



President Kacou's interview on the Club's genesis and objectives in Business Africa magazine  
October 2016



Club's launch event in partnership with the African Development Bank  
June 2016



For more  
information:  
[www.ietp.com](http://www.ietp.com)



## CONTACTS:

***Jean-Michel SEVERINO***

President

[jm.severino@ietp.com](mailto:jm.severino@ietp.com)

***Elodie Nocquet***

ESG & Impact director

[e.nocquet@ietp.com](mailto:e.nocquet@ietp.com)

***Emilie Debled***

PR and Business Development director

[e.debled@ietp.com](mailto:e.debled@ietp.com)

***Investisseurs & Partenaires (I&P)***

9, rue Notre Dame des Victoires, 75002 PARIS

+ 33 1 58 18 57 10