



**Impact Management Principles Disclosure
Statement related to
- I&P Afrique Entrepreneurs 2**

July 2020

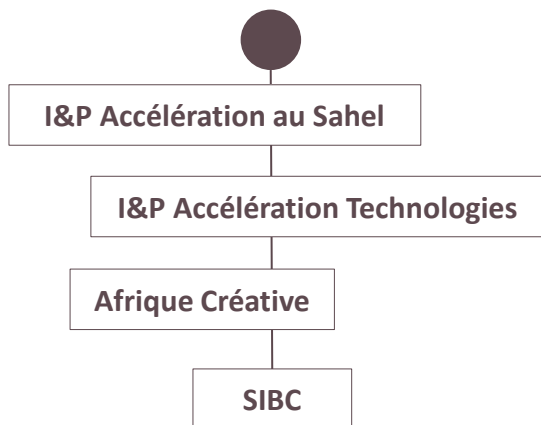
INVESTISSEURS & PARTENAIRES

I&P is a pioneering impact investing group in Africa. Its initial fund, **I&P Développement 1** (2002-2019) supported more than thirty high-impact SMEs and served as a **veritable pilot project in developing I&P's business model**. Today, this model is based on **three complementary business lines which follow an investment continuum and reflect our fundamental DNA: promoting African entrepreneurship, being an active partner to companies and being additional through investing in the African missing middle**.



I&P ACCELERATION

Scaling-up young businesses through seed-funding and/or training programs.



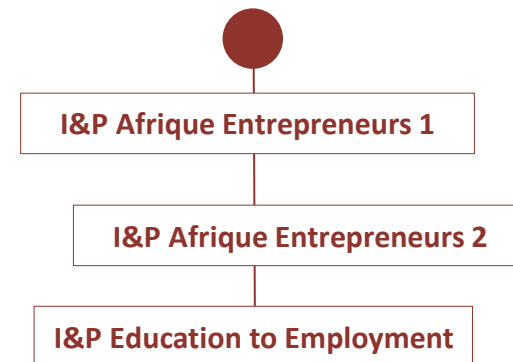
I&P DEVELOPMENT

Financing small businesses through a network of partner funds in 10 Sub-Saharan African countries.



I&P EXPANSION

Directly supporting and financing the development of SMEs and start-ups and strengthening their impact.



All our funds follow the same methodology regarding ESG risk management and impact monitoring. The tools have simply been adapted to different contexts and simplified for certain vehicles given the size of the companies. In this document, we present the alignment of our last and largest fund I&P Afrique Entrepreneurs 2 (IPAE2) with the Principles. This latest fund pursues a direct investment strategy and has benefited from the most developed ESG and Impact tools since I&P's inception in 2002.

PRINCIPLE 1: Define strategic impact objective(s), consistent with the investment strategy

THE FUND'S IMPACT THESIS:

PROMOTE LOCAL ENTREPRENEURSHIP TO FOSTER INCLUSIVE GROWTH AND STABILITY IN AFRICA



ENTREPRENEURS

Develop responsible African entrepreneurship, particularly in Fragile and Least Developed Countries.



EMPLOYEES

Create decent jobs and training opportunities.



CLIENTS

Meet unsatisfied demand for goods and services and contribute to the SDGs.



SUBCONTRACTORS

Create business for local suppliers and distributors and densify the local economic fabric.



WOMEN

Integrate a gender-lens perspective and promote women leadership, women employees and women-oriented products and services.



ENVIRONMENT

Foster environmentally-friendly development, whether through “green” products and services or through mitigation of environmental impact.

I&P'S MAIN CONTRIBUTION TO THE SDGS



PRINCIPLE 2: Manage strategic impact on a portfolio basis

As stated in Principle 4 and Principle 5 in the next slides, ESG and Impact are deeply rooted in the investment decision-making process. These analyses guide investment choices. To assert this will, financial incentive structures include both financial and impact goals.

IPAE 2 seeks to maximize impacts through a proactive management of the portfolio based on measurable impact targets aggregated at the portfolio level. The Fund's final impact performance will be assessed against a set of key impact targets, which would be fully achieved in a best-case scenario.

If the financial hurdle of the fund is achieved, an extra-carry representing additional carried percentages for the fund manager will be implemented. The amount of this extra-carry will depend on the proportion of seven key impact targets achieved at the level of the fund's portfolio. Annual impact metrics will be collected on the overall portfolio to monitor these key impact figures (among others). To ensure impact data reliability, these key impact figures will be audited.

Key impact objectives	Nb	Indicator	Target
Developing responsible African entrepreneurship	1	Percentage of companies owned or led by leaders rooted-in Africa on the long term	70% or more
	2	Percentage of companies operating in Least Developed Countries or Fragile Countries	70% or more
Promoting women entrepreneurs and managers	3	Percentage of companies owned or led by a woman or with more than 30% of women among senior leadership positions	35% or more
Creating decent jobs	4	Percentage of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions	50% or more
	5	Percentage of companies improving health and safety in the workplace or social protection for employees during the holding period	50% or more
Meeting local demand for essential goods and services	6	Percentage of companies providing local goods or services that address essential needs and the new UN Sustainable Development Goals (target: 50% or more)	50% or more
Environmentally friendly development	7	Percentage of companies implementing "green" projects	50% or more

PRINCIPLE 3: Establish the Manager's contribution to the achievement of impact

I&P has established a detailed narrative of the Funds' contribution to positive ESG impacts in the SMEs financed, which rely on financial additionality and value additionality.

FINANCIAL ADDITIONALITY

Equity investment
(minority equity, loans...)

- ✓ I&P addresses the financing needs of African SMEs (the so-called 'missing middle') that face limited access to long term finance. I&P provides financial support comprised between €30,000 and €3 million.
- ✓ For each investment opportunity, I&P assesses the extent to which the project can happen without our financial support and the leverage effect on other investments. Investments that provide high financial additionality score higher in terms of potential impact

VALUE ADDITIONALITY

Strategic and managerial
mentoring

- ✓ I&P actively assists the implementation of the company's strategy and develop management tools in collaboration with the entrepreneur.
- ✓ Tailor-made impact and ESG action plans reviewed twice a year with partner companies. It includes measures that not only improve the social and environmental impacts of the project but also strengthen the company's operational and financial performance.

Technical assistance

- ✓ I&P provides capacity-building and training in a variety of fields based on the investee's specific needs (organization, training, HR, marketing, MIS...). We closely support the entrepreneurs and our local teams are very often in contact with them.
 - technical assistance missions are financed through grants
 - Each I&P investee company automatically becomes a member of the Club Africain des Entrepreneurs with an annual training seminar, business development and networking activities.

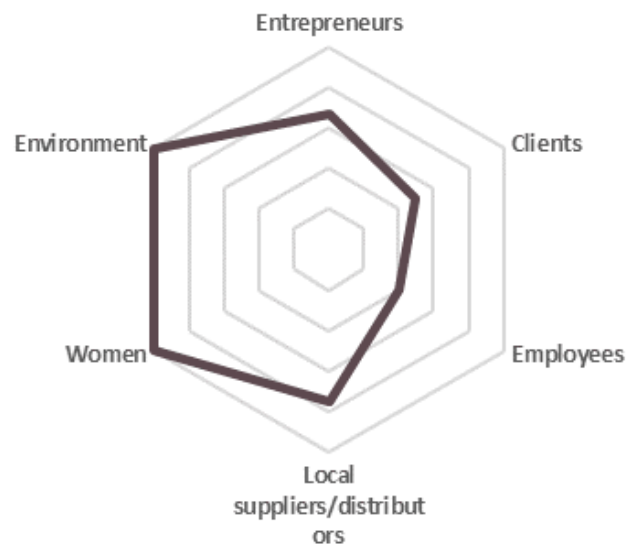
PRINCIPLE 4: Assess the expected impact of each investment, based on a systematic approach

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 for:
 - 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 (supply chain stimulation)
 - Impact on gender equality (women's representation in the workforce and top management)
 - Impact on the environment
- Identify ways to **improve overall impact**

Sample Impact Screening Scorecard



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)

Sample ESG risk categorization matrix



PRINCIPLE 5: Assess, address, monitor and manage the potential negative effects of each investment

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

PROMOTING QUALITY CERTIFICATION

- For its investment vehicle IPAE, I&P looks at whether investees have an **environmental, social or quality certification or plan to apply for one**. Certification brings a bonus point in I&P's impact rating system. I&P encourages the adoption of certification when relevant.

IMPLEMENTING ESG ACTION PLANS THAT ADDRESS ESK RISKS

- The investment team works with partner companies on **ESG actions** that correct and mitigate potential negative effects of the business activity (energy usage, treatment of effluents, occupational and health safety of employees...). Such corrective measures are reviewed and assessed bi-annually with the company's management team.

REPORTING ON INCIDENTS AND EXERCISING REMEDIES

- As soon as possible, I&P reports to investors any serious incident involving portfolio companies that result in loss of life, serious injury, material effect on the environment, or material breach of law, and promotes appropriate Remediation actions.
- If the investment team becomes aware that an investee company is in actual breach of key ESG requirements, they shall
 - Promptly notify I&P management and concerned governance bodies;
 - In consultation with them, require the Investee Company to undertake, within a specified time-frame, Remediation Measures necessary or appropriate to remedy such breach.

PRINCIPLE 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately (1/2)

DEVELOPING ESG ACTION PLANS TO GENERATE ENVIRONMENTAL 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 these ESG action plans, and a contact person is appointed to oversee the process.
- The action plan is a “road map” setting long term goals as well as short term priorities. It details, for each action, the proposed responsibilities, the timeframe, the level of priority, the expected deliverables or outcomes, the benefits for the firm and the implementation status. To be sustained, ESG initiatives must have a positive impact not only on stakeholders, but also on the company itself: these benefits are discussed with the manager, highlighted in the action plan and quantified, whenever possible. It includes measures that not only improve the social and environmental impacts of the project but also strengthen the company's operational and financial performance.

MONITORING AND SUPPORTING IMPLEMENTATION OF ACTION PLANS

- As far as possible, the investment team provides 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 through technical assistance programs.
- **The action plan is reviewed bi-annually** to assess progress made.
- As board member, the investment team ensures that key ESG considerations are regularly raised and discussed.

PRINCIPLE 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately (2/2)

MEASURING ESG & IMPACT RESULTS ANNUALLY

 **Annual Collection & Analysis of Impact Indicators**
I&P measures investee companies 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:

ENTREPRENEURS

- Share of companies led by Africans and by women
- Age, level of education, years of experience, etc.

EMPLOYEES


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

SUBCONTRACTORS

- Number and share of local suppliers and distributors
- Number of smallholders for agribusiness companies

CLIENTS

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

 **360° Impact studies** (available on I&P's website in the section dedicated to resources)
Once a year, I&P conducts in-depth impact studies on a specific partner company or a specific topic, such as the impact of a formal employment contract. A 3- to 4-members team conducts a field survey among local stakeholders to evaluate the company's impacts. Practical recommendations are provided, and followed-up on by the investment team.

PRINCIPLE 7 : Conduct exits considering the effect on sustained impact

I&P is committed to ensuring that sound ESG policies and practices implemented during the investment duration continue under the new ownership.

- **Action plans are designed to improve both social and environmental performance as well as financial performance.** This ensures the sustainability of the measures since they are also beneficial for the company's future activities (e.g. better working conditions and access to health insurance that reduces turnover and associated costs).
- ESG issues and impact are widely appropriated by entrepreneurs and deeply rooted in business processes. This makes the actions all the more sustainable.
- As far as possible, **I&P selects buyers who allow for the sustainability of the company's impacts and ensure good ESG practices.** In the presence of several potential buyers, I&P is prepared to make trade-offs on financial profitability and does not necessarily select the largest financial offer.
- The investment team checks the **reputation and track-record of potential purchasers** and interviews them on their intentions in relation to responsible ESG practices. The investment team will check if there is any ESG or LAB issues (applying the LAB/KYC procedure) with potential buyers.
- Impact management issues are included in exit discussions with the selected purchaser(s) and can be included in legal documentation when possible.

PRINCIPLE 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

▶ ANNUAL REPORTING

I&P publishes the annual ESG & Impact reporting of its funds (IPAE 1, IPAE 2 and IPDEV 2).

The reports present the methodology in terms of ESG policy and impact measurement and examines the main results and achievements of I&P's partner companies over the year.

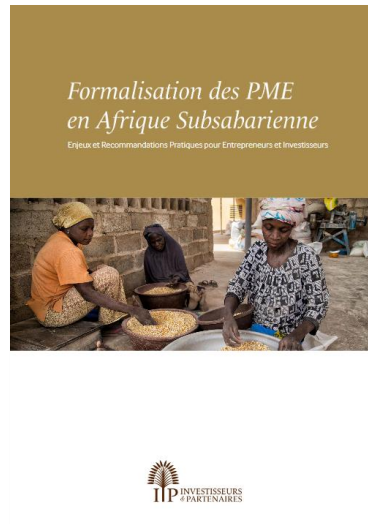
The reports are sent to the investors and publicly disclosed on I&P's website. This allows us to track our trajectory and take further steps to improve our performance.



▶ IN-DEPTH IMPACT STUDIES

I&P conducts in-depth impact studies on one or several companies, based on field research. The studies focus on the social and economic impacts of the companies or a specific topic and are available on I&P's website.

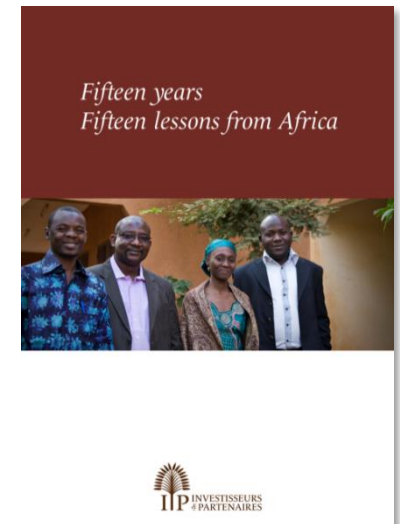
In 2019, I&P published a summary report on the challenges and impacts of SME formalization in Sub-Saharan Africa. It is a practical document for entrepreneurs who wish to get formalized and for investors and African governments seeking to promote a formal entrepreneurial sector.



▶ SHARING OUR EXPERIENCE

I&P published in 2017 a document reflecting on the lessons learned from its experience, including a strong focus on impact and ESG issues, entitled "[Fifteen years, fifteen lessons from Africa](#)"

The capitalization of these experiences has made it possible to improve our support to companies by structuring the following funds in a way that is more adapted to their needs



PRINCIPLE 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

The extra-financial committees are composed of independent members and regularly consulted.

Its role and responsibilities include reviewing the extra-financial policy and specific goals and review the annual ESG and Impact assessment.

The members composing the committee are independent and qualified and meet at least on an annual basis

IPAE2 Extra-Financial Committee

Last meeting: 16/06/2020 ;

Verification : June 2020 (ongoing signature) - They approved the alignment with the Principles and the verification summary report after our last meeting in June 2020 where we have presented the alignment and our last annual ESG and Impact report. The verification report is being signed and will be released soon, by September 2020.

Members

- Farid Baddache, CEO and Co-founder of Ksapa
- Mariam Djibo, CEO of Advans Cote d'Ivoire
- Michel Jacquier, former Deputy CEO of the French Development Agency (AFD)
- Swaady Martin, Founder and Chairman of Iswara

Statement

Investisseurs & Partenaires (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Principles”).

“This Disclosure Statement applies to the following assets (the “Covered Assets”):

I&P Afrique Entrepreneurs 2 (IPAE 2) : EUR 92 485 543 (USD 104 574 328 equivalent)

The total assets under management in alignment with the Principles is EUR 92 485 543 (USD 104 574 328 equivalent) as of 09/07/2020.

The information contained in this Disclosure Statement has not been verified or endorsed by International Finance Corporation, the World Bank or any member of the World Bank Group or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of International Finance Corporation, the World Bank or any member of the World Bank Group. None of International Finance Corporation, the World Bank or any member of the World Bank Group shall be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, “Affiliate” shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

Signed:

Name of Institution: Investisseurs & Partenaires

Authorized Representative: Jean-Michel SEVERINO

Title: CEO

Date: 09/07/2020



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