



I&P Afrique Entrepreneurs
ANNUAL ESG AND IMPACT REPORTING
END OF MARCH 2015

1 Portfolio & entrepreneurs

- **11 partner companies and 5 microfinance institutions in 11 African countries**
- A large majority of investments in **very small and small companies**
- Companies led by **80% of African CEOs** including **25% of women**
- The current creation of a **network of African entrepreneurs**
- The **technical assistance program** to improve companies' operational performance

2 IPAE's ESG and impact policy

Implementation of our ESG and impact policy and tools :

- Our **impact approach, value chain and ESG & impact tools**
- Our own **ESG action plan at I&P team level**
- Our **ESG methodology** throughout the investment cycle and **shared ESG actions** at the portfolio level.
- Our **impact measurement tool** and the **impact case studies** conducted in a sample of partner companies
- Our contributions in the **impact investing field**

3 Assessment of IPAE's impact in 2014

Tailor-made methodology to assess our partner companies' impacts on their different stakeholders:

- **Employees:** job creation, level of wages, gender balance, employees benefits etc.
- **Clients:** access to goods and services, financial inclusion for microfinance institutions
- **Suppliers:** strengthening of local private sector, knock-on effects on suppliers/distributors, etc.
- **State:** fiscal contribution, imports substitution, etc.
- **Financiers:** leverage effect of IPAE's investments on other financiers

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- **Reducing the portfolio carbon footprint**
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PORTFOLIO SNAPSHOT

16 companies, including 5 new investments

BURKINA FASO

ACEP Burkina, a microfinance institution

Bakou Logistics, a freight-by-lorry company

CAMEROON

Carrières du Moungo, a sand quarry operator

ITG Store, Consulting company specialized in SI services and data storage

COMOROS

Banque de Développement des Comores, a microfinance institution

DRC

Oxus, a microfinance institution

GABON

Trianon Homes
A home-building company

GHANA

Voltacars Rental Services
A long-term car rental company

IVORY COAST & MALI

Conergies Group, specialized in air conditioning and industrial cooling systems

Pharmivoire Nouvelle
A pharmaceutical company based in Ivory Coast

MADAGASCAR

ACEP Madagascar, a microfinance institution

IOT, breeds sea cucumbers in the South of Madagascar

SENEGAL

Delta Irrigation - sets and provides technical maintenance to farming plants

Nest For All, a clinic offering a complete monitoring of woman and child

SOFAMAC, a company producing terracota tiles and bricks

UGANDA

Finance Trust Bank, a microfinance institution

PORTFOLIO SNAPSHOT

Geographical footprint

3 new countries and 6 country offices

- IPAE has invested in 3 new countries in 2014: Ghana, Gabon and Comoros.
- It now counts 6 country offices, in Senegal, Burkina Faso, Ghana, Ivory Coast, Cameroon and Madagascar.
- **64%** of IPAE's investments are located in **Least Developed Countries**

Strong turnover growth

- Between the first quarter of 2014 and the first quarter of 2015, the **aggregate turnover** of IPAE's portfolio companies at the expansion stage has grown by **26%** (27% for MFIs and 25% for SMEs).

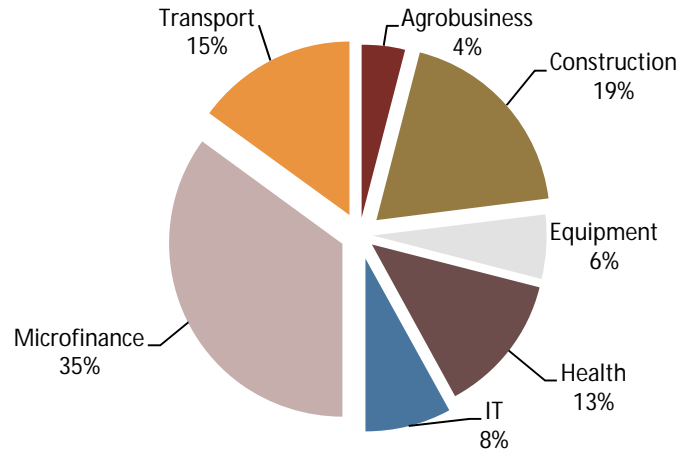


Name	Country	Sector	Stage	Total Committed (€)	Total % stakes
ACEP Burkina	Burkina	Microfinance	Greenfield (MFI)	365 878	30%
ACEP Madagascar	Madagascar	Microfinance	Expansion	1 500 000	20%
Bakou Logistics	Burkina	Transport	Expansion	1 502 695	36%
BDC	Comoros	Microfinance	Expansion	1 451 629	38%
CDM	Cameroon	Extraction	Expansion	1 219 592	30%
CONERGIES/RICA	Mali/Ivory Coast	Air conditioning	Expansion	550 000	38%
Delta Irrigation	Senegal	Irrigation equipment	Expansion	350 000	37%
IOT	Madagascar	Fish farming	Early stage	628 000	30%
ITG	Cameroon	TIC	Expansion	1 125 074	32%
NEST FOR ALL	Senegal	Health	Early stage	610 457	29%
Oxus	DRC	Microfinance	Greenfield (MFI)	445 072	20%
Pharmivoire	Ivory Coast	Health	Expansion	1 372 058	43%
SOFAMAC	Senegal	Building material	Early stage	771 673	15%
Trianon	Gabon	Construction	Expansion	762 245	30%
UFT / FTB	Uganda	Microfinance	Expansion	1 459 373	14%
VRS	Ghana	Services	Expansion	730 000	21%
TOTAL				14 911 614	

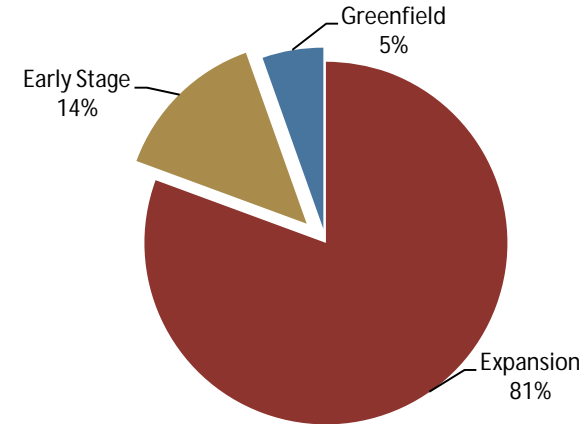
PORTFOLIO SNAPSHOT

Breakdown per sector, maturity, country (amount invested)

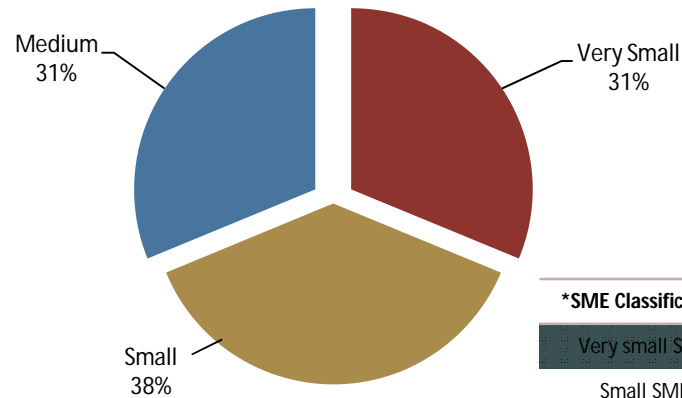
IPAE has invested in a great variety of sectors



I&P mostly invested in expansion stage firms

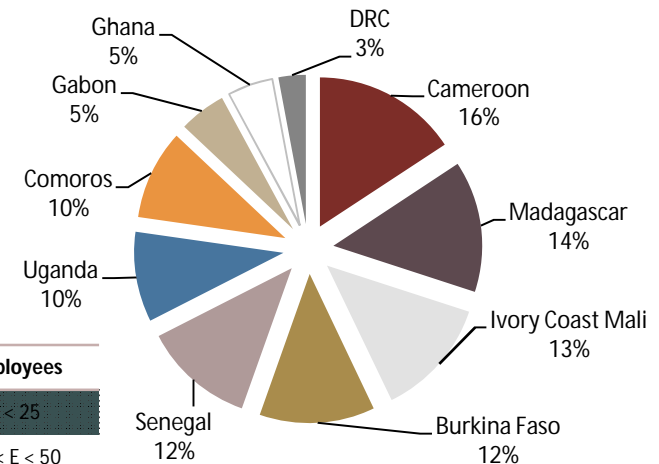


I&P has invested in firms of different sizes



*SME Classification	Turnover (M€)		Employees
Very small SME	T < 0,5	And	E < 25
Small SME	0,5 < T < 1,5	or	25 < E < 50
Medium-sized SME	1,5 < T < 4	and	50 < E < 100

I&P has a geographically spread out portfolio



SUSBSAHARAN AFRICA'S ECONOMIC OUTLOOK

Navigating Headwinds

Sub-Saharan Africa's economy is set to register another year of solid economic performance, expanding at 4,5 % in 2015, after 5% in 2014.

- However the expansion will be **at the lower end** of the range registered in recent years
- Mainly reflecting the adverse impact of the **sharp decline in oil** and other commodity prices

The effect of this shock will be quite heterogeneous across the region

- The region's eight **oil exporters** will be hit hard and are expected to effect significant fiscal adjustment
- For much of the rest of the region, **near-term prospects remain quite favorable**, with many countries benefiting from lower oil prices

Two notable exceptions

- **South Africa**, where growth is expected to remain lackluster, held back by continuing problems in the electricity sector
- Guinea, Liberia, and Sierra Leone, where the **Ebola** outbreak continues to exact a heavy economic and social toll.

This outlook for solid growth is subject to a number of risks

- **External financing conditions could tighten further.** In that context, the large fiscal account deficits that prevail in some countries (like Ghana) leave them vulnerable to a reduction in external financing and thus tighter-than-planned fiscal policies.
- **Growth could further disappoint**, notably in Europe and China, which are among sub-Saharan Africa's main trade partners.
- **Security risks** have recently come to the forefront in a number of countries, especially in the Sahel. Should these conflicts escalate, it would not only pose serious fiscal and near term growth-related risks, but also, deter domestic and foreign investors.

Macroeconomic perspectives in Sub-Saharan Africa			
	2014	2015 (p)	2016 (p)
Real GDP Growth (%)	5	4,5	5,1
Real per Capita GDP Growth (%)	2,5	2	2,6
Inflation (%)	6,3	6,6	7
Total Investment (% GDP)	20,6	20,9	21,5
Government Debt (% GDP)	29,6	32	32,4

* Source: IMF's Regional Economic Outlook (April 2015)

ENTREPRENEURS

Building up a network of I&P entrepreneurs

I&P is currently working on a network of African entrepreneurs

- Composed of **companies that belong to I&P's portfolio**
- To promote the **African entrepreneurship agenda** and mostly that of SMEs
- And accelerate **growth and performance** of its members, both **financial and societal**

This platform, used for advocacy, business development, training and networking purposes:

- Will be structured **at different scales**: national, regional and pan-African and will be managed by a **coordinator** in charge of the structuration and coordination of all actions, passed on at the national scale by the managers of the African offices
- Will promote the exchange of best practices between peers and build a sectoral approach to strengthen operational synergies between members
- Will be supervised by a **committee** of entrepreneurs and members of I&P team and used as a leverage tool in order to implement actions targeting advocacy related issues.
- Will rely on the organization of **frequent events** and is characterized by the organization of an annual meeting for its members involving a **training** around key performance topics (H&R, MIS, finance, etc.)



I&P seminar – October 2014

NEXT THEME FOR THE ENTREPRENEURS SEMINAR: HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

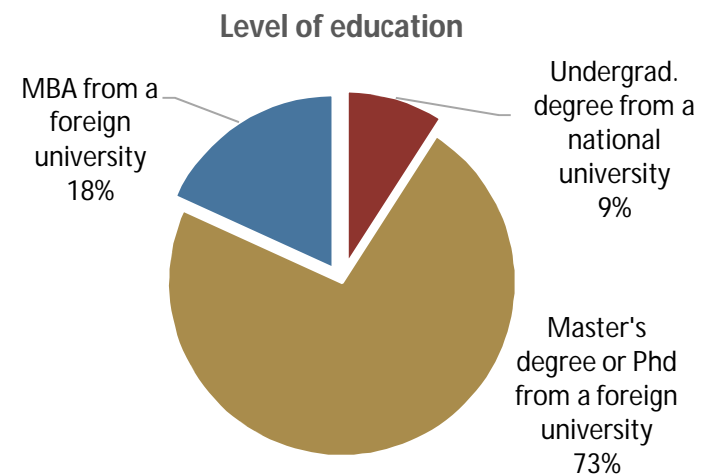
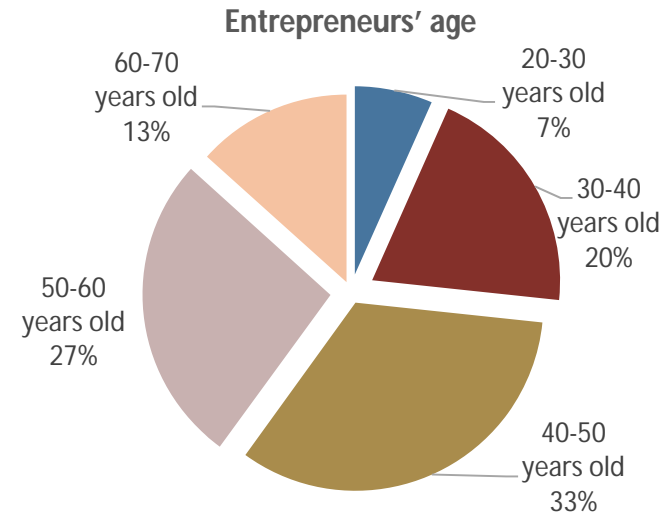
The next annual training seminar for I&P entrepreneurs will take place in October 2015 and focus on **human resources and social responsibility towards employees** as a competitive lever for companies. I&P wishes to move forward the social agenda of investee companies.

We thank the **European Investment Bank and FISEA** for the financial support of this fourth annual training seminar.

ENTREPRENEURS

Who are the entrepreneurs supported by I&P?

- **80%** of I&P partner companies' CEOs are **African** and **25%** are **women**
- **85%** of the African CEOs **studied abroad** (five in France, two in the USA, one in Belgium, one in South Africa and one in Romania).
- Entrepreneurs have on average **14 years** of experience in the sector in which they are operating and **15 years** of experience in enterprise management.
- **70%** of them are older than 40 years old (they are **47 years old** on average). This can be explained by two factors:
 - Given the difficulties to secure external financing, entrepreneurs have to accumulate savings before launching their enterprise.
 - Entrepreneurs also need significant professional experience in their sector to convince potential investors.



ENTREPRENEURS & THEIR COMPANIES

The technical assistance program to improve operational performance

A technical assistance program has been implemented since April 2013 for partner companies

- € 1,25 m budget: € 1m granted by the EIB and € 250 k by FISEA
- External assignments are conducted by technical or business experts to build capacity and strengthen skills
- Shared procedures and assignments

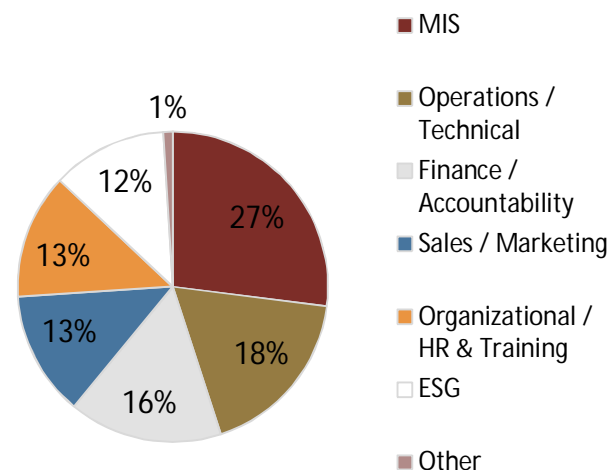
Assignments focuses on the main following areas

- Improvement of companies' management tools and organizational structure
- Diagnosis and support on technical issues (production, information systems, etc.)
- Improvement of the environmental and/or social impact
- Legal and fiscal support and training
- "Coaching" of the entrepreneurs and improved management skills of the executives
- Training and best practices sharing for portfolio companies

Overview of the TA facility at end March 2015

- 46 missions have been approved by the EIB and FISEA for a total budget of 407 k€ (March 2015)
- 4 portfolio-wide missions have also been conducted:
 - 3 training seminars of 2 days each, held in Paris (all the entrepreneurs were invited) and respectively dedicated to:
 - human resources
 - accountability/finance
 - MIS.
 - a portfolio-wide study on energy efficiency and carbon emission assessment
- Average mission cost: 8 866€

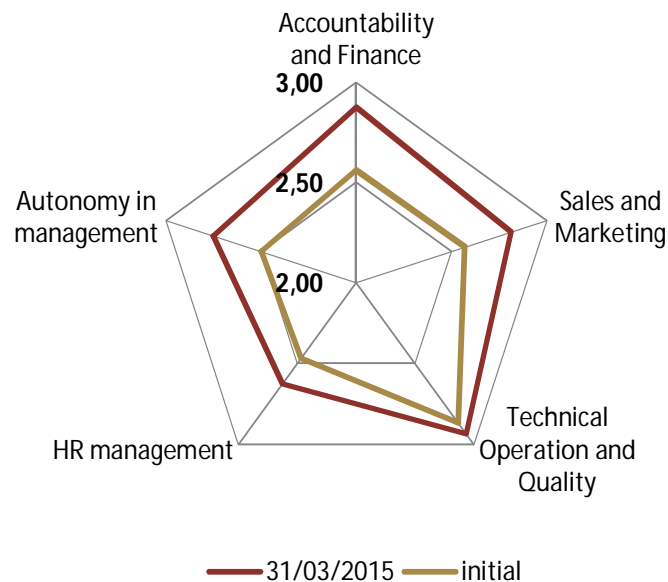
TA budget allocation by type of mission



ENTREPRENEURS & THEIR COMPANIES

Assessment of the organizational performance

Organizational Performance



The portfolio's organizational performance is assessed according to 5 criteria:

- Accountability and finance
- Sales and marketing
- Technical Operations and Quality
- HR Management
- Autonomy in Management

Each criterion is graded out of 3. Our results show that the organizational performance grades of our company increased on average between the investment and March 31st, 2015:

- **Accountability and finance grade has increased from 2,6 to 2,9** (technical assistance has largely impacted this field, as MIS and accountability represented 43% of the committed Technical Assistance Budget on the 31st of March, 2015)
- **Autonomy in Management increased from 2.5 to 2.8**
- **Sales and marketing performance increased from 2.6 to 2.8**

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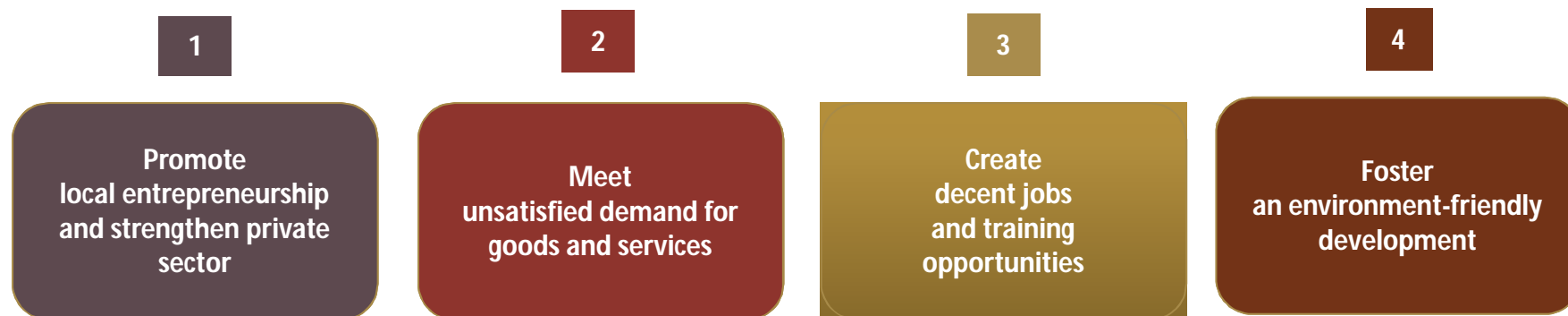
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OUR IMPACT INVESTING APPROACH

Addressing development challenges with financial instruments dedicated to Africa:

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



An approach supported by an ambitious societal strategy

Our context

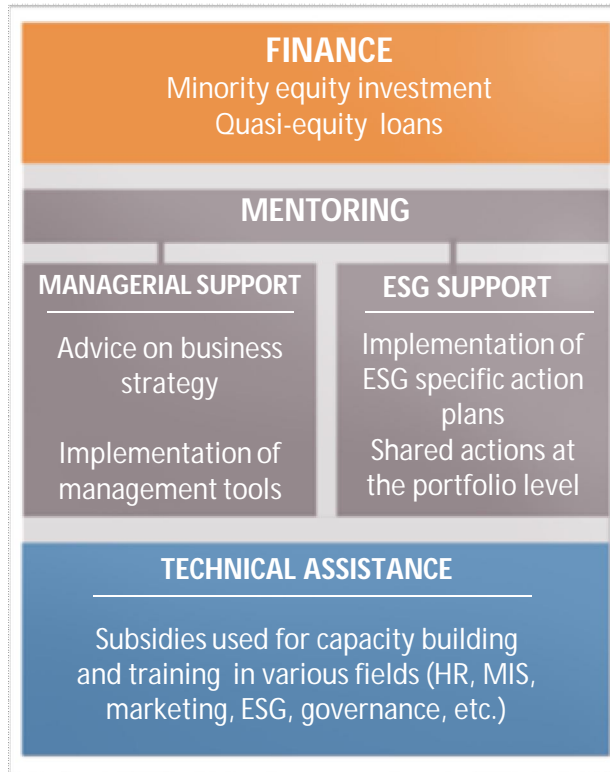
- Thriving SMEs rarely involve high ESG-related risks, but present **significant enhancement opportunities - individually and collectively**
- The entrepreneurs' agenda include ESG-related concerns, but are constrained by a **lack of dedicated financial and human resources**

Our vision

- We are **committed to enhance our portfolio companies' Environmental, Social and Governance-related (ESG) practices**, to leverage their impact
- 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
 - We insist on promoting mutually beneficial actions creating ESG value as well as economic value

OUR ESG AND IMPACT VALUE CHAIN

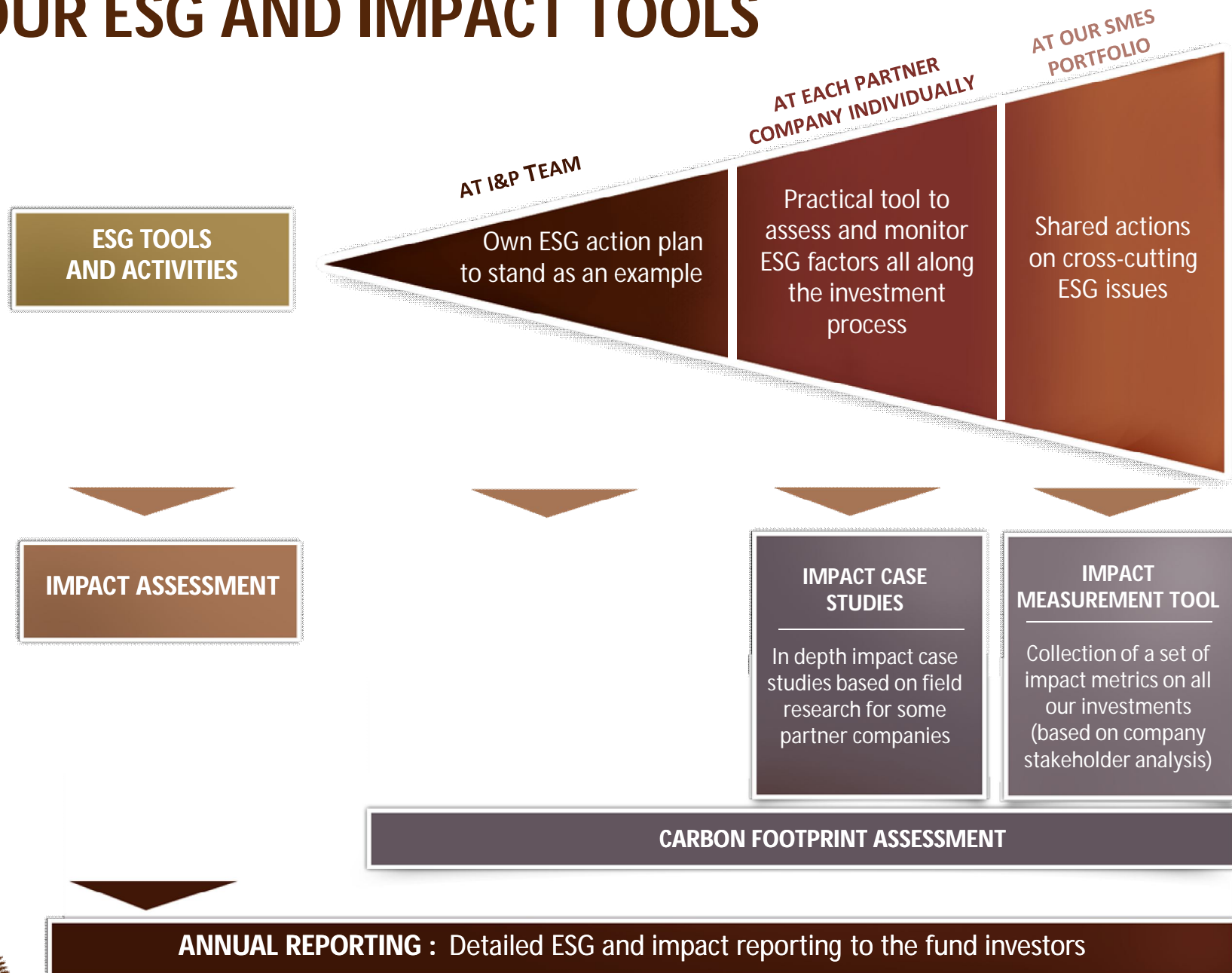
INPUTS AND ACTIVITIES



EVALUATION OF THE IMPACTS ON THE COMPANY STAKEHOLDERS



OUR ESG AND IMPACT TOOLS



I&P SPECIFIC ESG ACTION PLAN

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

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



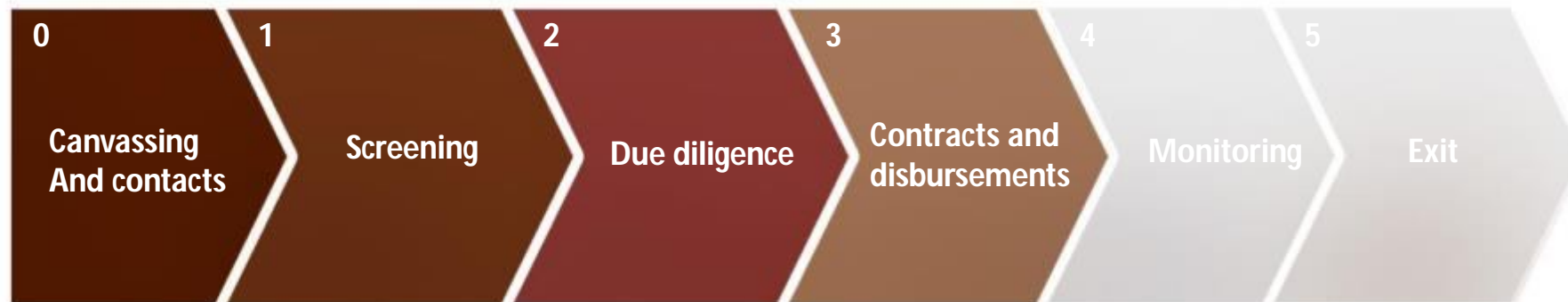
We have reviewed our supply strategy

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

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

- Since 2012, we assess our carbon emissions and offset these emissions with energy-efficient cookstoves projects based in Africa. More information on p.40 on 2014 assessment and carbon offset program.

PRE-INVESTMENT ESG ANALYSIS



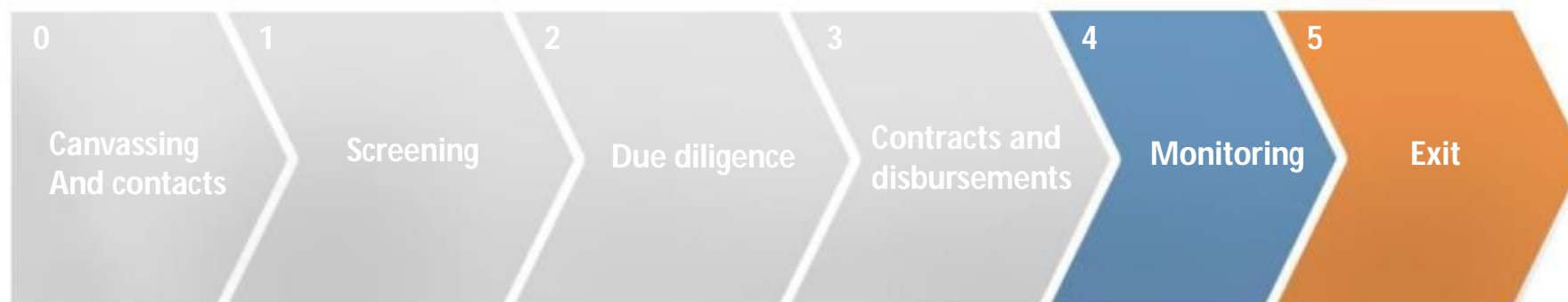
1. Initial contacts and screening

- 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, etc.
 - **Governance-related considerations**: business integrity and good corporate governance.
 If applicable, we incorporate sector specific 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 work together with the management team to develop an action plan for ESG improvements, with actions required, timeframe, proposed responsibilities and costs involved. We highlight key ESG drivers for the business and main opportunities to seize.
- 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.

POST-INVESTMENT ESG MONITORING



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.

ESG CROSS-CUTTING OBJECTIVES

- 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

ENVIRONMENTAL

Reducing the carbon footprint

- Reducing the portfolio carbon footprint with energy saving processes
- Assessing the portfolio carbon footprint on a yearly basis

Update on p. 39 to 43

SOCIAL

Promote the “decent work” agenda

- Group together companies around shared health insurance products to ensure better conditions and a wider access

Update on p. 32

IMPACT MEASUREMENT TOOL

- Since 2012, we have implemented 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

STAKEHOLDERS	EXAMPLES OF INDICATORS	DEVELOPMENT CHALLENGES
IMPACT ON STAFF	<ul style="list-style-type: none"> • Creation of jobs • Job patterns (gender, wages, etc.) • Employee-training and other advantages 	Creation of decent wage-paying jobs is critical to promote a socially sustainable inclusive growth
IMPACT ON CLIENTS	<ul style="list-style-type: none"> • Number of clients • Number of borrowers/ savers for microfinance institutions 	Many basic products and services are not easily available in Africa for businesses and individuals
IMPACT ON SUPPLIERS/DISTRIBUTORS	<ul style="list-style-type: none"> • Number and share of local suppliers/ distributors 	Structuring local sectors to raise sales, profits and employment levels upstream and downstream
IMPACT ON NATIONAL VALUE ADDED	<ul style="list-style-type: none"> • Contribution to state revenues, GDP, and exports 	Need for fiscal resources to finance public spending and investment, in a context of a predominant informal sector
OUR IMPACT ON INVESTEES/ ENTREPRENEURS	<ul style="list-style-type: none"> • Assessment of progress made on business practices (marketing, operations & quality, finance, etc.) 	Building capacity and improving the performance of the African SME sector

IMPACT CASE STUDIES

Four case studies conducted since 2012

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

- Indicators collected every year on all investee companies provide us with useful insight but need to be complemented by field research to get a **more in-depth understanding of the company's local impact**.
- We therefore conduct every year one or two **in depth impact evaluations** in our portfolio companies. During one month, a team leads a quantitative and qualitative field survey in order meet local stakeholders and evaluate the company's impact. The team is composed of I&P's impact assessment officer and 3 to 4 French students from the association "Planète d'entrepreneurs".
- This evaluation provides the company with **practical recommendations**. As an active partner of the company, the investment team ensures proper follow up of these recommendations and raises strategic issues which may arise at the board level.



Four evaluations have already been conducted

- In 2012 on an organic fruit producer/exporter in Cameroon: BIOTROPICAL (IPDEV)
- In 2013 on a microfinance institution in Cameroon: ACEP CAMEROUN (IPDEV)
- In 2014 in a baby flour company in Madagascar (NUTRI'ZAZA – IPDEV) and in a microfinance institution in Madagascar (ACEP MADAGASCAR - IPAE).

All the case studies' detailed reports are all available on I&P's website, in the publication section:

http://ietp.com/knowledge_center/#publications



ESG METHODOLOGY

PRI Pilot Assessment – Overarching approach and PE module

UN Principles for Responsible Investment Pilot Assessment



- UN PRI: International network of investors working together at the implementation of **six Principles for Responsible Investment** (<http://www.unpri.org/about-pri/the-six-principles/>)
- We were provided with a **first pilot assessment report** based on I&P 2014 report to the PRI

■ **For the ESG OVERARCHING APPROACH, I&P was graded « A » (on a scale from A to D)**

Module	OVERARCHING APPROACH
Total Score	26★ (out of a maximum 30★ from 10†† indicators)
Band	A

➔ Taking into account PRI recommendations on I&P overarching ESG approach, I&P proceeded to a better disclosure of its ESG & Impact policy, and released other guidance documents as well

■ **For the PRIVATE EQUITY MODULE, I&P was graded « A », positioning I&P in the first quartile of the PE industry**

Module	PRIVATE EQUITY
Total Score	27★ (out of a maximum 33★ from 11 indicators)
Band	A

- ➔ This score is very satisfactory but some actions points have been identified to improve the less favorably graded sections:
- Include ESG & Impact-related sections in fund placement documents for all the new vehicles
 - Encourage companies to implement more formal sustainability policies

ESG METHODOLOGY

UN PRI Pilot Assessment – Inclusive finance module

■ For the **INCLUSIVE FINANCE MODULE**, I&P was graded « **B** »

Module	DIRECT - INCLUSIVE FINANCE
Total Score	36★ (out of a maximum 57★ from 19 indicators)
Band	B

➔ This score corresponds to the median score in the inclusive finance sector. It is not as good as our Private equity score, and results from our low commitment to microfinance initiatives as a generalist investor as well as our lack of partner microfinance institutions specifically targeting “poor” clients

However, I&P is committed to improve its performance on the implementation of customers’ protection principles and social performance tracking. Social Performance Management assignments are about to be launched for ACEP Burkina, ACEP Madagascar, ACEP Niger and ACEP Cameroun with a combination of technical assistance and other fundings.

Oxus DRC is currently implementing an SPM monitoring system and a specific committee

Disclaimer from the PRI:

The 2014 PRI Assessment Results are based on a pilot methodology that remains under consultation. Results should be viewed alongside responses to the PRI Reporting Framework, visible on the PRI’s website.

SHARING OUR METHODOLOGY

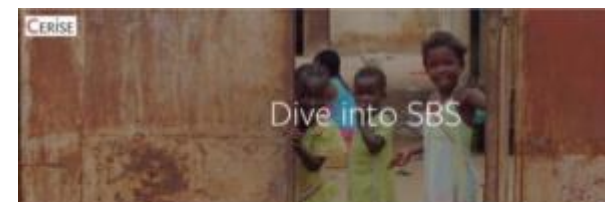
Contributions to the knowledge in the impact investing & CSR field

Contributions to the knowledge and development of the impact investing field

- In 2014, I&P Impact measurement methodology was chosen as a case study to represent the French committee for the **G8 Impact Measurement Working Group**
- In 2015, the European Venture Philanthropy Association (EVPA) has been conducting a **detailed case study** on I&P impact measurement methodology to complement its practical guide on impact measurement released in 2012. The EVPA also organized a **site-visit** at I&P focused on I&P model and impact measurement methodology on the **23rd, June 2015**.
- I&P also participated to several studies on impact investment funds' financial returns (GIIN, Wharton...). It was the first French investment fund to appear in the Impact Assets 50 ranking (http://impactassets.org/ia50_new/)
- I&P has also contributed to the knowledge in the impact investing field with a paper which will be released soon : J.-M. Severino and P. Baraton (2015, forthcoming): « Development Partners, One More Push for Greater Impact! », Financing sustainable development – Addressing Vulnerabilities, FERDI.

Social Business Scorecard (CERISE)

- I&P was an active member of the CERISE working group dedicated to social business assessment. This working group was led by CERISE, with the financial and strategic support of AFD/ PROPARCO.
- A proposal for a “**Social Business Scorecard (SBS)**” was designed, now available online: www.cerise-sb.org
- I&P specifically contributed to the reinforcement of the ESG - and financial sustainability dedicated sections.
- Two IPDEV investee companies were chosen as case studies (Nutrizaza and Phileol).



Corporate social responsibilities and SMEs in Africa

- We published a paper for the “Revue Secteur Privé et Développement” of PROPARCO on environmental and social practices of SMEs in Africa, presenting our contribution in this field as an SME investor.
- We published a toolkit sharing our investment methodologies , and developing our ESG approach [Investing in Africa's Small and Growing Businesses](#)

1

Portfolio presentation

- **11 partner companies and 5 microfinance institutions in 11 African countries**
- A large majority of investments in **very small and small companies**
- Companies led by **80% of African CEOs** including **25% of women**
- The current creation of a **network of African entrepreneurs**
- The **technical assistance program** to improve companies' operational performance

2

IPAE's ESG and impact policy

Implementation of our ESG and impact policy and tools :

- Our **impact approach, value chain and ESG & impact tools**
- Our own **ESG action plan at I&P team level**
- Our **ESG methodology** throughout the investment cycle and **shared ESG actions** at the portfolio level.
- Our **impact measurement tool** and the **impact case studies** conducted in a sample of partner companies
- Our contributions in the **impact investing field**

3

Assessment of IPAE's impact in 2014

Tailor-made methodology to assess our partner companies' impacts on their different stakeholders:

- **Employees:** job creation, level of wages, gender balance, employees benefits etc.
- **Clients:** access to goods and services, financial inclusion for microfinance institutions
- **Suppliers:** strengthening of local private sector, knock-on effects on suppliers/distributors, etc.
- **State:** fiscal contribution, imports substitution, etc.
- **Financiers:** leverage effect of IPAE's investments on other financiers

4

Update on the environmental objective: reducing the portfolio carbon footprint

- **Reducing the portfolio carbon footprint**
 - Energy-related actions in partner companies
 - Carbon offset program at I&P and in a portfolio company (VRS)
- **Assessing the portfolio carbon footprint in 2014**
 - Carbon emissions per scope and category
 - Carbon emissions per company

IPAE'S main impacts in 2014



JOB CREATION

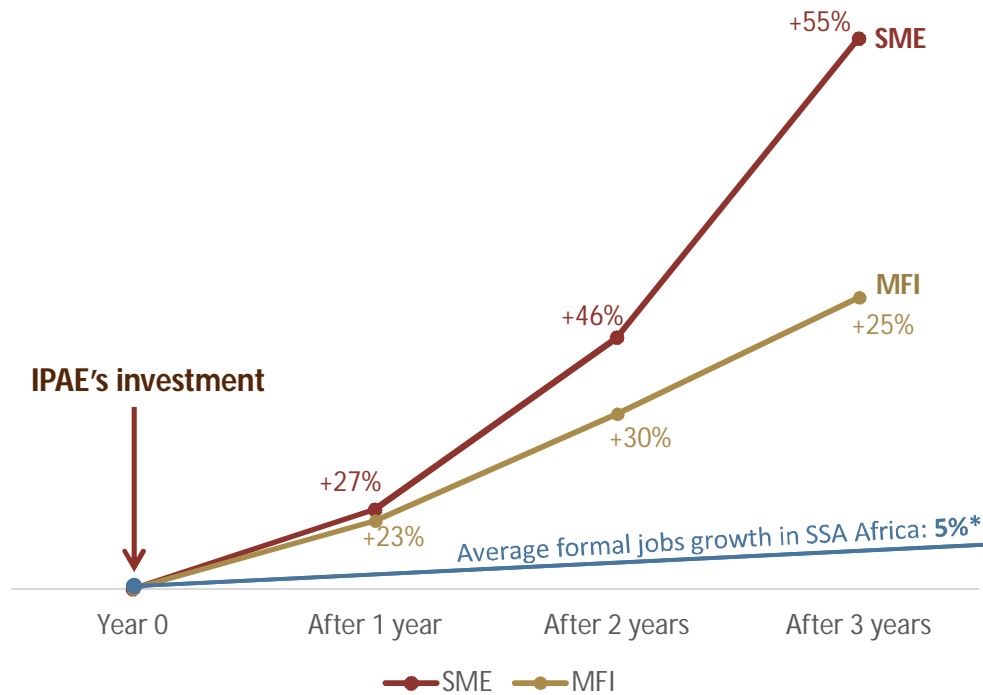
Fast employment growth in SMEs and MFIs after IPAE's investment



Keynote

The McKinsey McKinsey Global Institute report, [Africa at work: job creation and inclusive growth \(2012\)](#) states that **72 million new jobs are to be created in Africa by 2020, while 122 millions people are expected to enter the job market over the same period**. Employment is therefore a crucial challenge in Africa and IPAE contributes to the continent's dynamic employment growth.

Average yearly employment growth after IPAE's investment



1581 jobs created or maintained in our partner companies in 2014

912 jobs maintained since 2012

669 jobs directly created since 2012

- On average, the number of jobs increase of **31% per year** of investment among SMEs, and **12% among MFIs**. This performance is far above the average formal jobs growth which is estimated at 5% per year.
- Given that an important share of the portfolio companies we invested in in 2012 were start-ups, they are experiencing **an important growth in their third year of investment**.
- On average, SMEs have **24** employees when we invest in, and MFIs **132**. Microfinance represents **70% of jobs** (78% in 2013) and 74% of jobs created.
- On average, investee companies have **100** employees.

*Annual growth estimate from 2010 to 2020 from McKinsey Global Institute report, *Africa at work: Job creation and inclusive growth (2012)*

JOB CREATION

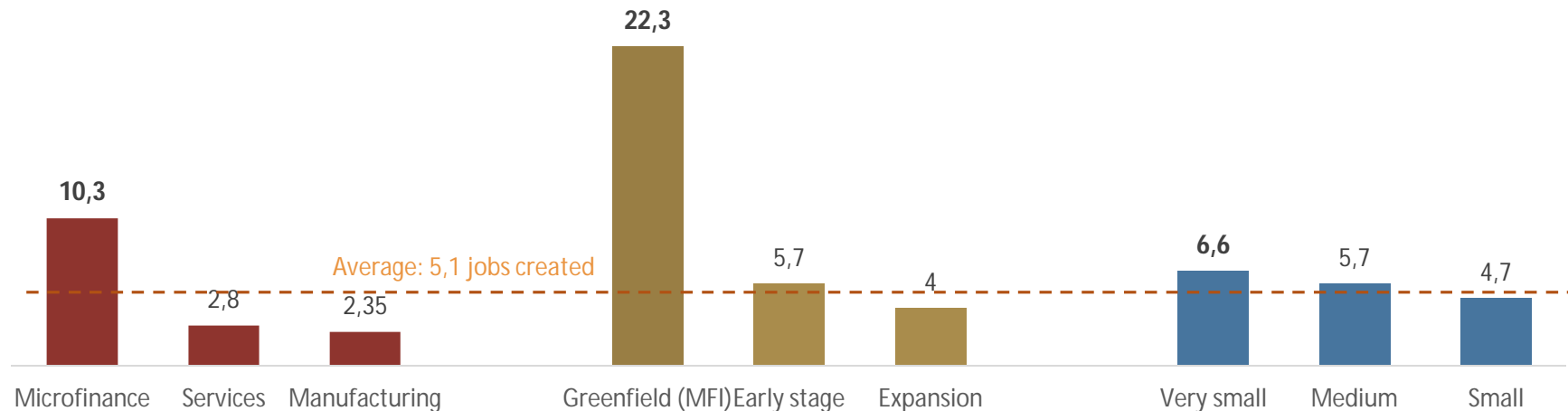
Job creation per amount invested depends on sector & maturity



Keynote

According to [The World of Work report](#), published by ILO in 2014: Sub-Saharan Africa is the most job-creating continent: 9,5 million jobs were created in the area between 2009 and 2014. The report shows that agriculture is the largest employment sector worldwide, however it will not remain a job-creating sector in the next five years, contrary to **construction, transport or financial activities which correspond to IPAE's main sectors of investment since 2012.**

Number of jobs created for every 100 000€ invested, by sector, size and type of enterprise

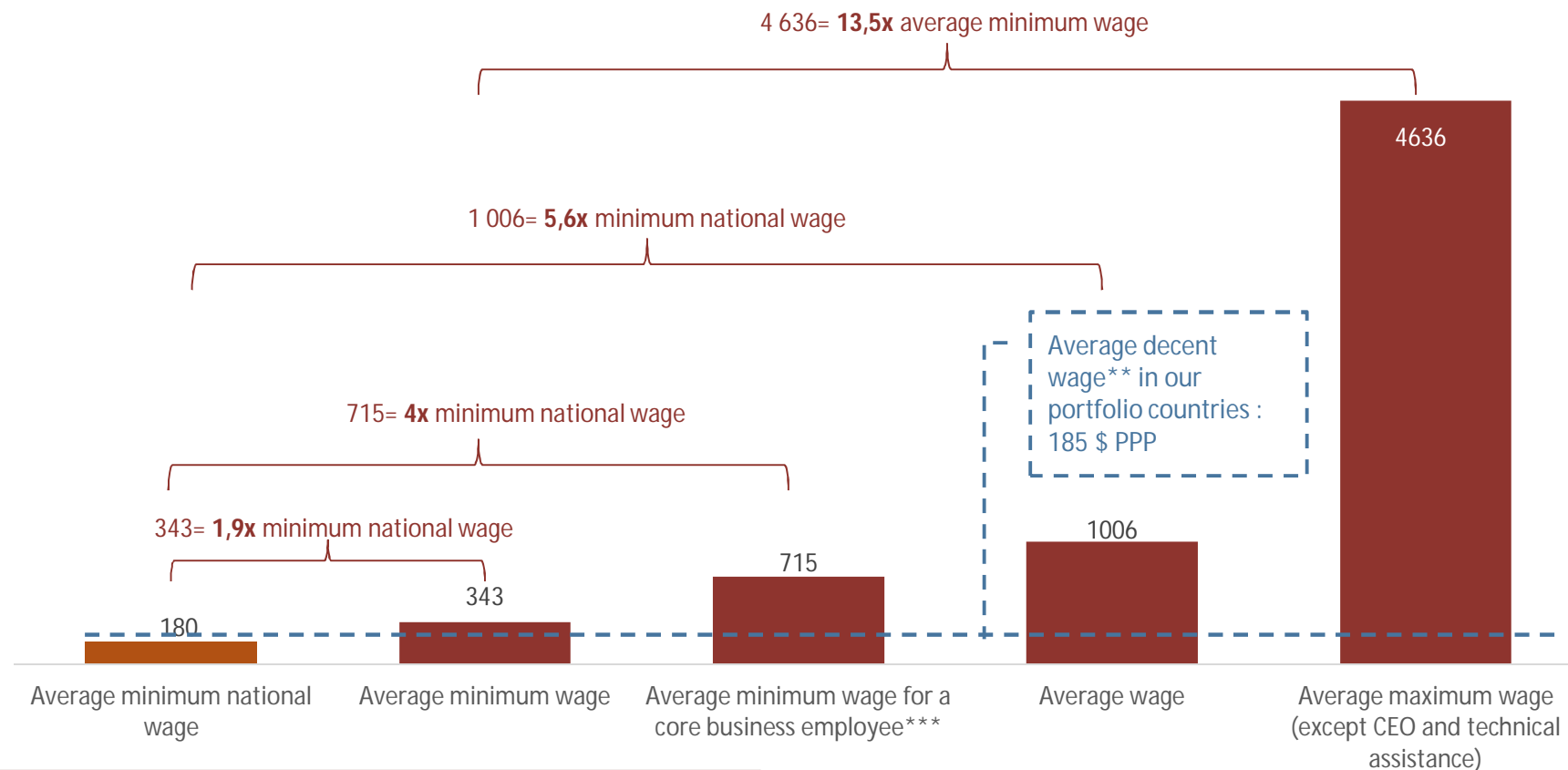


- On average, for every **100 000€ invested**, IPAE's partner companies have created **5,5 jobs** after IPAE's investment.
- This does not take into account the additional investments from other investors, IPAE job creation performance being linked to IPAE's investment leverage effect on other investments.

- **Greenfield MFIs** are the largest job creators. It can be explained both by the sector and the development stage at which IPAE usually invests.
- We regrouped the investee companies in three sectors sharing the same job creation patterns.

LEVEL OF WAGES (in US\$, PPP)

Decent wages but a gap between the highest & lowest salaries



- The minimum wage in our investee companies is on average 1,9 times higher than the minimum national wage and 1,8 times higher than the decent wage (all the wage are in US \$ PPP*).
- The maximum wage (except CEO and technical assistance) is 13,5 times higher on average than minimum wage. However, this ratio falls at 6,5 if we consider only minimum wage for core business employees.

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

**Fair wage levels provide the minimum income necessary for a worker to meet his needs that are considered to be basic:

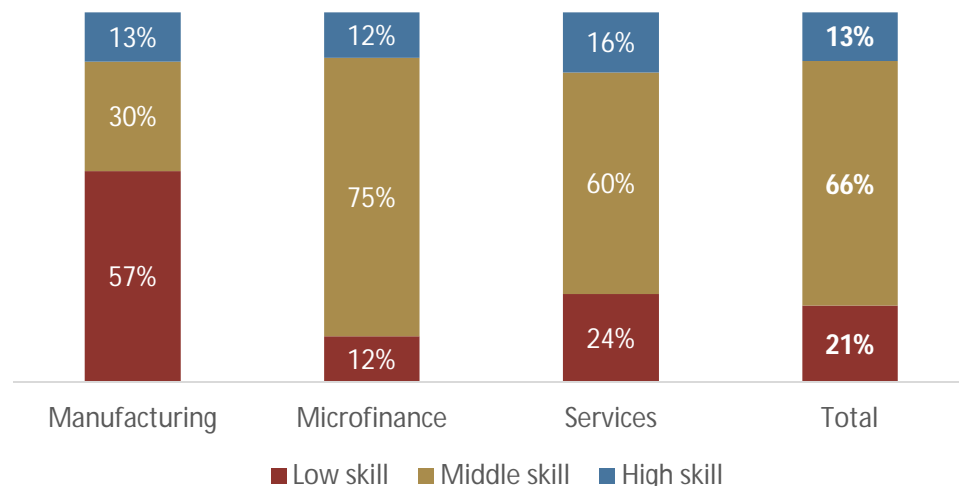
<http://fairwageguide.org/>

*** "Core business" concerns the main activity of the company. It does not take into account guard or cleaning services for instance.

LEVEL OF QUALIFICATION

Two third of medium-skilled employees

Employment breakdown per qualification, per sector



A majority of medium-skilled jobs:

- **66%** of jobs in IPAE's partners companies can be considered as **medium-skilled**
- This proportion was **15 points higher than last year** while the proportion of low-skilled jobs increased by 11 percentage points.
- **Microfinance** sector is by far the main **medium-skilled** jobs provider.
- Unsurprisingly, the **manufacturing** sector accounts for a majority of **low-skilled jobs**.

* Employees' skills definition:

- **Low-skilled employees:** Simple and routine tasks, no particular education level required and/or only a very short internal training.
Ex: Maintenance technician, watch man or basic jobs for labor-intensive activity.
- **Medium-skilled employees:** Activity requiring a certain level of education, a particular training or a rather important professional experience.
Ex: Credit officers in microfinance institutions.
- **Highly skilled employees:** Resolution of complex problems requiring a higher education level and a high experience level.
Ex: Management positions.

WOMEN EMPOWERMENT

More efforts to be made on women employment in SMEs

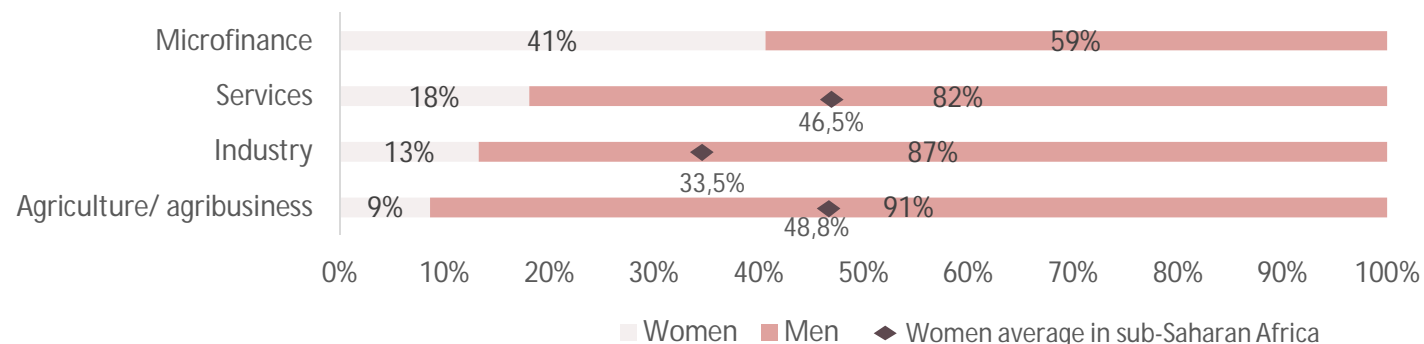


Keynote

The Global Employment Trends Report published by ILO in 2014 provides us with some benchmarks on employment in sub-Saharan Africa for 2012-2013:

- **28%** of the male population of sub-Saharan Africa was unemployed, against **40%** of the female population
- At the sub-continent level, women respectively represent 46.5%, 33.5% and 48.8% of the employees in the agricultural, industrial and service sectors.

Gender breakdown of employment in 2014, by sector in IPAE's investee companies



- 523 women were employed in IPAE investee companies in 2014, i.e. 33% of the total employment (vs. 33% in 2013). The companies tend to **employ less women in % than their respective sectors' averages**.
- We are committed to increase women's participation in partner companies:
 - We are part of a **working group** led by IFC on "Increasing Participation of Women" in African SMEs and we plan to establish closer links with **networks of women entrepreneurs** in Africa
 - We are planning to better integrate gender analysis in our **due diligence & monitoring** processes.
 - We will refine our impact measurement system on **gender analysis**.

HUMAN RESOURCES & TRAINING

Towards improved and more formalized H&R practices

More than half of the companies have formal HR management with all a potential for improving further their practices

Key figures on partner companies

- **65%** have an employee dedicated to human resources and a formal salary grid
- **50%** have a formal document describing their human resources policy
- **60%** have systems in place to represent employees
- **2** companies benefited from a technical assistance assignment dedicated to human resources (ITG and Trianon)
- As described on page 6, the next annual training will be focused on **human resources and social responsibility**



ITG Store, Cameroon

They continuously develop employees' skills and a majority provide trainings



Nest For All, Senegal

Key figures on partner companies

- **56%** of our partner companies have provided training to their employees
- **348** employees benefited from this training
- **k€ 330** have been spent on employees training in 2014
- **955** euros have been spend for each employee trained.

HEALTH INSURANCE & SOCIAL PROTECTION

Employees benefit from social coverage elements but we need to go further



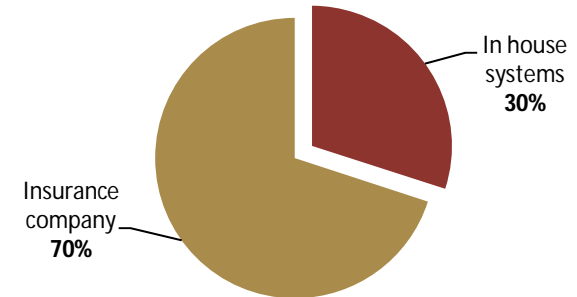
Keynote

Among IPAE countries of intervention, only some countries have national schemes in place to provide basic health insurance for employees of the private sector (Mali, Madagascar, Senegal, Ghana). When they exist, public systems provide very low level of coverage and insured persons suffer from long waiting periods and a limited choice of healthcare centers.

People working in the informal sector, who represent more than 70% of the working population, usually do not have access to health insurance

Key figures

- **60%** of companies provide health-insurance, either in-house or through an insurance company
- **50%** of companies provide death insurance.
- **90%** provide sick leave allowances
- **100%** provide maternity leave allowances



We need to go further and to target a universal health coverage: launch of a portfolio-wide feasibility study on health insurance

- As part of our commitment at the portfolio level to promote **social protection** within investee companies, a **feasibility study** has been launched with a funding from FISEA (technical assistance).
- Our goal is to **improve employees' health insurance coverage** in our investee companies, by pooling the companies around common health insurance solutions, to give them access to better conditions and provide them with turnkey solutions.

Planning

- Step 1 (June 2015): comprehensive **context analysis**, based on interviews with IPAE companies and review of similar initiatives.
- Step 2 (July 2015): design of the **operational and financial characteristics** of the project
- Step 3 (September 2015): **selection of a health insurance company** for the project, based on a competitive bidding process
- Step 4 (October 2015): **proposal presented to the entrepreneurs** gathered in Paris for the annual training to get their feedback.

HEALTH & SECURITY

Road safety, a major area of concern



Keynote

In the World Health Organization report on "[Road safety in the WHO African region](#)", the facts 2013, the following findings shed light on the seriousness of the road safety situation in African:

- The African region has the **highest road fatality rate of the world**
- **Young men** are the most vulnerable road users
- Pedestrians, cyclists, and persons travelling on **motorized 2- and 3-wheelers** are at great risk of death & injury
- **Post-crash care** is inadequate or lacking in many countries

Road safety appears to be the main health and safety risk within our investee companies

- Four microfinance institutions faced a road accident this year, four of them a serious one, including one fatal at Oxus DRC (detailed reporting sent to investors in September 2014). This results from the field work of credit officers (riding on motorcycles) and journeys between agencies.
- Bakou, a Burkinabe transport company, also experienced a serious accident in spite of state-of-the art safety procedures: a frontal collision between a Bakou driver and a motorcyclist was fatal for the motorcyclist (detailed reporting sent to investors in September 2014).
- 2 companies (Conergies and BDC) experienced very minor work accidents.

We are committed to strengthen our approach to decrease this risk

- We are currently gathering **road safety procedures** from our investee companies to share best practices and provide assistance.
- We will ensure that the **road safety issue is raised at the next board meetings** of all our investee companies involving a specific road safety risk.
- We will strengthen our **road safety analysis** during the due diligence process : detailed review of procedures & insurance coverage and assistance to improve procedures.



MEETING AFRICAN CUSTOMERS NEEDS

Providing goods & services addressing Sustainable Development Goals

- **95%** of partner companies address African needs, **45%** basic ones. The rationale for most of IPAE's investments is to meet an uncovered national or regional need.
- **70%** provide goods or services directly **addressing Sustainable Development Goals (SDGs)**. Other SDGs are addressed at portfolio level.



Delta Irrigation
Increase agricultural productivity in Senegal and Ivory Coast



Delta Irrigation
Save water thanks to efficient irrigation systems



IOT
Preserve sea cucumber marine resources in Madagascar



Nest
Quality healthcare for women and children in Senegal

Pharmivoire
Meeting the need for intravenous fluids from Ivorian medical centers



SOFAMAC and CDM
Building material industries in Senegal and Cameroon

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

MICROFINANCE

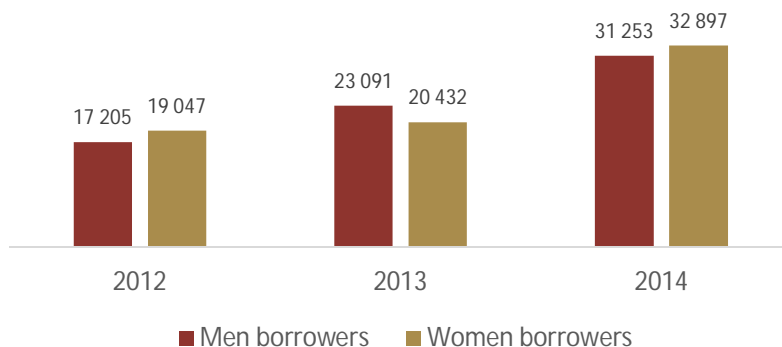
Access to financial services for micro-entrepreneurs



Keynote

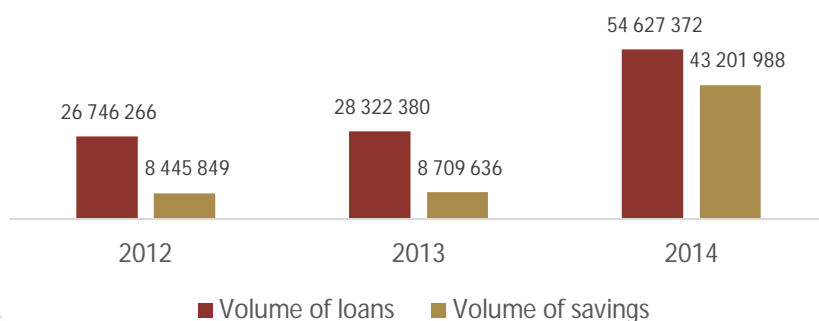
In ILO's [Women in Business and Management – Gaining Momentum](#) report published in 2015, the “Women’s Access to Finance Score for 2010 and 2012” report, the Economist Intelligence Unit showed that women’s access to loans was really low in sub-Saharan Africa. Most of the countries received less than 30 points out of 100, showing that women were still **largely excluded from access to finance**. In comparison, MFIs where I&P has invested provide access to finance to **more women than men in 2014**.

Increase in the number of borrowers, by gender



- IPAE has invested in Bank of Comoros in 2014, thereby investing in its 5th MFI.
- These MFIs lent **€54,6 million** in 2013. In 2014, they had reached **64 000** borrowers, of which 51% were women.
- This breakdown has remained stable since 2012.

Volume of loans and savings

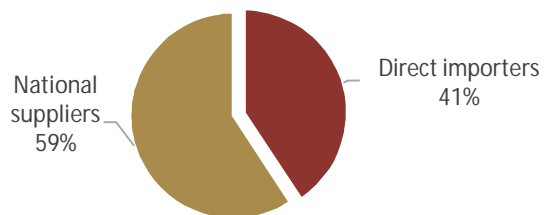


- The outstanding loans amount increased by 100% between 2012 and 2013, while the savings volume quadrupled

FISCAL CONTRIBUTION & LOCAL SUPPLIERS

60% of local suppliers and significant contribution to State revenues

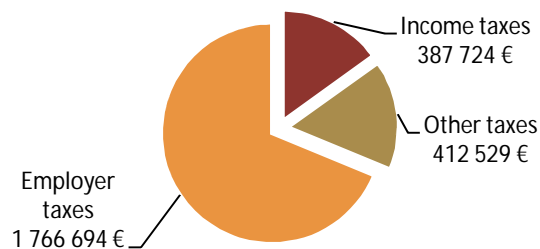
Share of national suppliers in the total number of suppliers



Contribution to State revenue:

- €2,6 million have been generated in taxes (excluding VAT) in 2014 by our partner companies
- The majority of this fiscal contribution come from employer charges.
- The financial sector is the main contributor.

Taxes breakdown



Contracts with local suppliers:

- In 2014, IPAE's investee companies (excluding the financial sector) have contracted with **491** suppliers, including **331** domestic ones.
- These local suppliers represent **€4,4** million out of a total amount of **€14** million.
- These figures illustrate an important knock-on effect



Delta Irrigation, Senegal

CONTRIBUTION TO FUNDRAISING

Context

- SMEs face important difficulties to secure external financing from local commercial banks and other traditional financiers (private equity funds, leasing companies, etc.)
- **42%** of our investee companies mention **“difficulties to secure external funding”** as a main constraint impeding their development.

Our contribution

- In many cases, we assist the partner companies in their negotiations with other local or international financial institutions or by participating in the search for new shareholders using our networks.

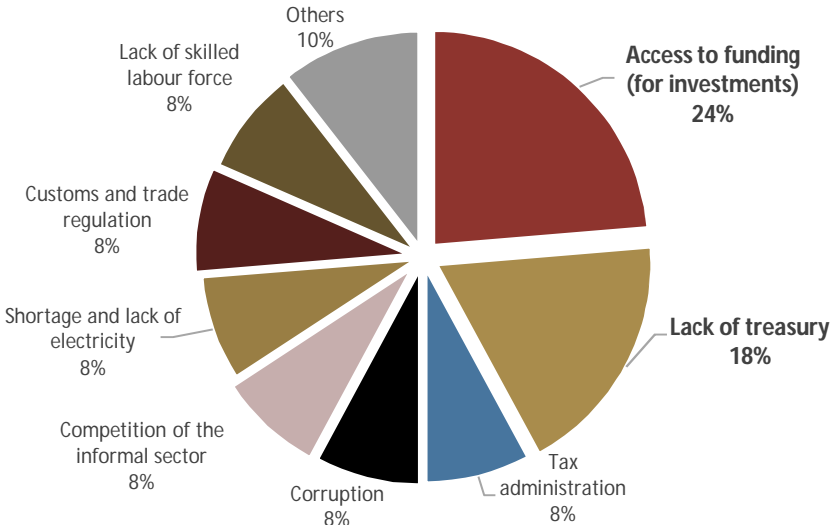
Measuring the leverage effect of IPAE’s investment

- When IPAE invests one euro in companies, 1,6 additional euros* are invested by other financial and strategic actors.



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

Which obstacles do investee companies face during their development process?



Main obstacles:
24% of our investee companies mention **“difficulties to access long term finance”** and **18%** cite **“lack of treasury”** as a major constraint
 Other most commonly cited barriers include problems with **tax administration**, cost of **electricity shortages**, **local corruption** and **competition of the informal sector**.

1 Portfolio & entrepreneurs

- 11 partner companies and 5 microfinance institutions in 11 African countries
- A large majority of investments in very small and small companies
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- The current creation of a network of African entrepreneurs

Implementation of our ESG and impact policy and tools :

- The technical assistance program to improve companies' operational performance
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4 Update on the environmental objective: Reducing the portfolio carbon footprint

- **Reducing the portfolio carbon footprint**
 - Energy-related actions in partner companies
 - Carbon offset program at I&P and in a portfolio company (VRS)
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 - Carbon emissions per company

REDUCING THE CARBON FOOTPRINT

Energy-related actions



Keynote

According to ECOWAS' [Renewable Energy and Energy Efficiency Status Report](#) (2014), energy efficiency improvements are among the **most cost-effective solutions** for offsetting the rising energy costs, unpredictable and uncertain energy supply, and growing demand for energy services faced by West Africa (ECOWAS Member States). Currently, the region's continued reliance on aging and inefficient equipment (often acquired second-hand) combined with the inefficient use of traditional biomass results in low efficiency ratings.

Our objective: reducing the portfolio's carbon footprint

- At their modest scale, we believe that our investees can play an active role in experiencing and sharing new and replicable energy efficiency and renewable energy solutions to increase the energy efficiency mix of African SMEs.
- Ultimately, we aim at **decoupling investees' economic growth from their carbon growth and set an example**

Our actions in 2014

- We conducted the second **carbon footprint assessment** of IPAE portfolio in 2014 (see next slides)
- For industrial projects, **energy economy screenings are now systematic**:
 - A technical assistance assignment has been finalized for Pharmivoire with consultants from Kerdos. Additional investments are considered to improve the boiler energy efficiency, as well as specific trainings for the staff.
 - An assignment was launched for SCRIMAD in Madagascar with consultants from AETS, to assess the potential for biogas and energy efficiency solutions.
 - Promotion of renewable energy equipment in our SMEs. Other energy screenings are planned for investments in the pipeline.
 - **Other initiatives among investee companies**
 - SOFAMAC in Senegal has successfully launched its production of clay construction material with a highly innovative energy system, which consists in **using peanut shells for the boiler**. The company plans to license this technology.
 - Most of the energy mix of IOT in Madagascar is now based on **photovoltaic panels**.
 - ITG is considering using **green-building techniques** for the construction of its new head office.

REDUCING I&P's CARBON FOOTPRINT

Carbon offset programs



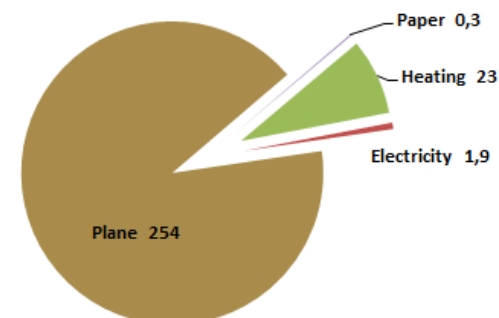
Keynote

According to the World Bank Africa Clean Cooking Energy Solutions Initiative report on "[Scaling-Up Access to Clean Cooking Technologies and Fuels in Sub-Saharan Africa](#)", 82% of the population in Africa (~700 million people) remains dependent on solid fuels such as charcoal, dung, fuelwood, and other biomass for cooking purposes—and this number is projected to increase to 900 million by 2030. This situation raises major health, environmental and social issues.

Offsetting I&P carbon emissions

Since 2011, we have implemented a yearly calculation of I&P carbon footprint and we are committed to compensate for it. In 2014, I&P carbon emissions represent:

- **278** tons of CO₂ eq – a **56%** increase compared to 2013
- **91%** of these emissions come from plane travels (scope 3, indirect emissions). Travelling is at the core of our activity and difficult to reduce



We offset our carbon emissions with an Ecosur project based in Abidjan in Ivory Coast and called "Soutra Fourneau" (http://ecosurafrique.com/what_weinvest_detail.php?id=15)

- The project consists in replacing traditional cook stoves with efficient and affordable cook stoves. The stoves result in charcoal savings **up to 60%** contributing directly to alleviating deforestation & reducing CO₂ emissions.
- **128** units will be distributed, corresponding to this carbon offsetting.
- They will be sold predominantly in **small restaurants of Abidjan run by women** (see beside the picture of our visit in May 2015).
- It will result in less harmful smoke emissions and more purchasing power for these women.



Encouraging and assisting investee companies interested in this approach

- As part of its commitment to lower its environmental footprint, the portfolio company VRS, operating in the car rental industry for international companies will market an option to offset carbon for its current and future customers in Ghana, Senegal and Côte d'Ivoire.
- VRS will offset clients' emissions through the same ECOSUR project in Côte d'Ivoire.



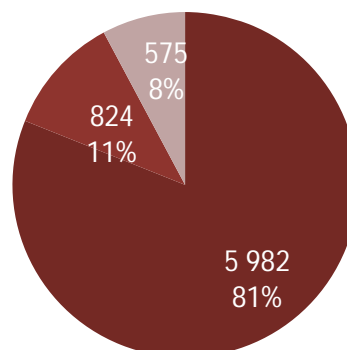
MEASURING THE PORTFOLIO CARBON FOOTPRINT

Carbon emissions per scope and category

GHG emissions per scope in 2014:

A **carbon footprint** is measured in **tons of carbon dioxide equivalent (tCO₂e)**. The carbon dioxide equivalent allows the different greenhouse gases (GHG) to be compared on a like-for-like basis relative to one unit of CO₂

Total: 7 381 tCO₂e



All direct GHG emissions.

■ Total GES Scope 1

■ Total GES Scope 2

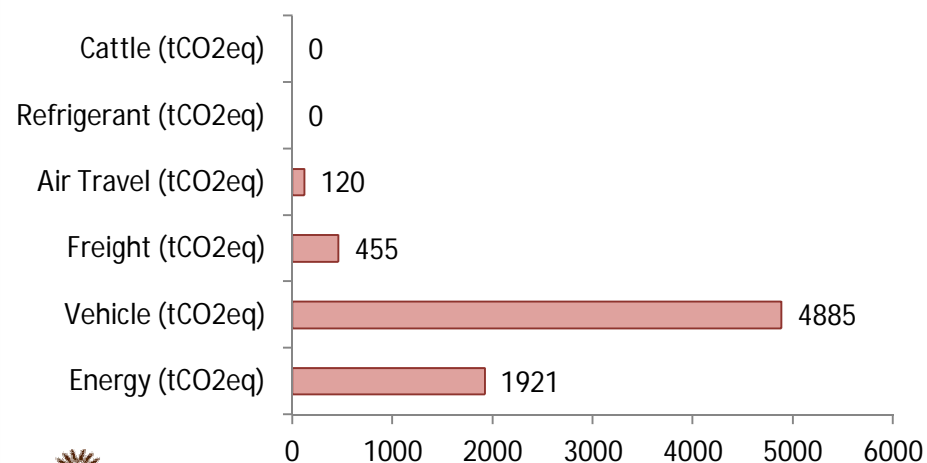
■ Total GES Scope 3

SCOPE 1: emissions due to the company's direct activity

SCOPE 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam

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 per category in 2014 :



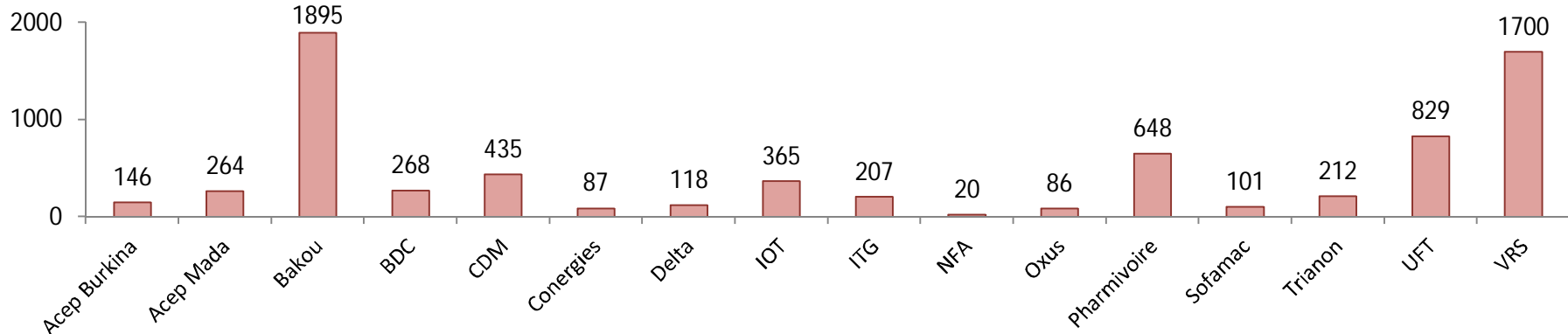
Largest sources of emissions are:

- **66% result from vehicles:** those direct emissions stem from company owned vehicles, used for daily activities (field visits of the credit officers for the MIFI, sourcing or distribution activities, etc.).
- **26% result form energy:** some companies need a lot of energy to run their factory (ex: IOT) or for their offices (ex: UFT).
- **6% result from freight** (ship, air or road transport for equipment or goods)

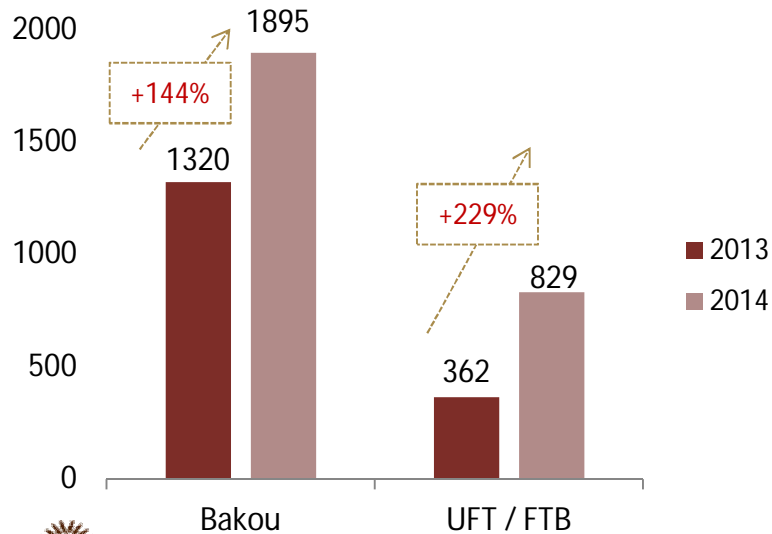
ASSESSING THE PORTFOLIO CARBON FOOTPRINT

Carbon emissions per company (1)

GHG emissions per company in 2014:



Focus on Bakou and UFT/FTB



Largest emitters are:

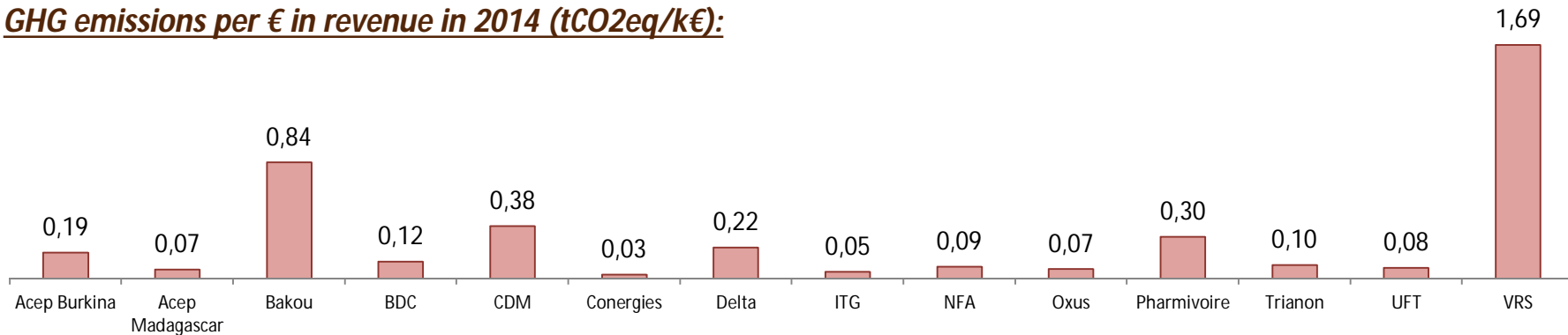
- **Bakou:** The company's emissions increased in 2014, resulting from the firm's growth and new contracts. Road transportation accounts for 99% of Bakou's GHG emissions.
- **VRS:** One of I&P 2014's investments. Fuel consumption is the main emission source of VRS, but this is inherent to its activity.
- **UFT/FTB:** The fuel consumption for the vehicles of the company can be explained by the field visits of the credit officers.

I&P is facing difficulties to account for air conditioning/refrigerants related GHG emissions

ASSESSING THE PORTFOLIO CARBON FOOTPRINT

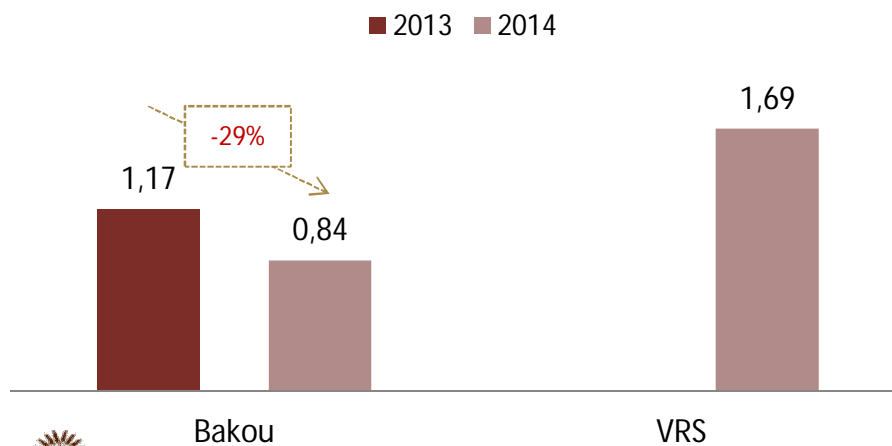
Carbon emissions per company (2)

GHG emissions per € in revenue in 2014 (tCO₂eq/k€):



Focus on Bakou and VRS

GHG emissions per € in revenue in 2014



- Sofamac and IOT had not started their production in 2013 and therefore, and therefore are not included in this graph.
- The largest per €- emitters are **VRS and Bakou**. The largest emitters in absolute values are also the largest emitters per €. This is explained by the activity of these two companies: VRS offers vehicle rental services and Bakou fret services.
- VRS emissions between 2013 and 2014 cannot be compared as this is a new investment for I&P.

**Thank you for your
interest in African
entrepreneurs and
ESG-oriented impact
investment!**

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