
Promoting Impact Management in African SMEs

*An Overview of I&P's
ESG & Impact Policy*

September 2018

INVESTISSEURS & PARTENAIRES AT A GLANCE

Investisseurs & Partenaires (I&P) is an impact investment group dedicated to promote small and medium businesses in Sub-Saharan Africa, driven by the conviction that these enterprises actively contribute to a sustainable and inclusive growth on the continent. I&P brings together a family of three African impact funds and has invested in about 90 companies based in 16 Sub-Saharan countries.

I&P was founded in 2002 by Patrice Hoppenot and has been managed by Jean-Michel Severino since 2011. The I&P team is made of 50 people working in Paris and in 6 African offices: Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Madagascar, and Senegal.



Promoting a new generation of African SMEs is our key contribution to the development of Africa. Only strong investments in the productive sector and sound macroeconomic policies linked to international support will allow

African economies to rebound, grow and win the major battles of unemployment, poverty and sustainable development. Many more entrepreneurs are needed to improve the competitiveness of Africa's economies and to enable Africa to take charge of its economy, create jobs and improve the environmental and social standards of the continent.

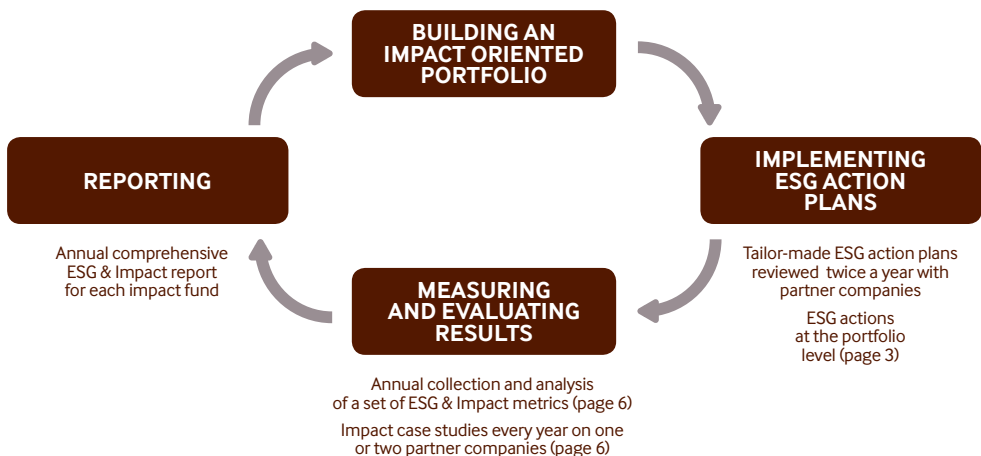
By investing in «real economy» initiatives, mostly in poor and fragile countries with high growth potential, and by supporting ethically managed businesses, I&P aims to make a difference in the lives of African citizens. A majority of our investments back entrepreneurs rooted in Africa: thousands of jobs that pay four times the minimum local wages have already been created.

Poverty is also alleviated by the impact of I&P's investee corporations on their clients and suppliers: 90% of our partner companies meet a local and previously unsatisfied demand for goods and services addressing, in 70% of cases, the new UN Sustainable Development Goals. Our partner companies also build local networks, generating business opportunities for small-scale suppliers and distributors. And I&P helps foster and promote low carbon and sustainable impact growth.

At I&P, we care not only about who our business partners are, but also about their mission, their practices and whether they contribute to the social good. We also focus on how they deliver on their mission: high ESG performance is not merely an option for us but rather the surest route to high financial performance and at the core of the principles that drive our overall mandate.

Jean-Michel Severino
CEO

IMPACT MANAGEMENT WHEEL



Contributing to African development challenges and to the achievement of the SDGs

I&P is committed to addressing key development issues in Africa and to measuring its contributions to the United Nations' newly established Sustainable Development Goals (SDGs).

I&P investments address the following 6 SDGs at the portfolio level:

SDGS

CURRENT CONTRIBUTIONS

KEY INDICATORS



- Create **decent job**
- Promote **health insurance** coverage for employees and their families
- Provide goods and services **meeting basic needs** (food, health, microfinance, etc.)
- Provide **business opportunities** for small-scale suppliers and distributors

- Over 50% direct employment growth during the holding period
- More than 8,000 direct jobs created/sustained
- 75% of suppliers are local
- 90% of employees covered by health insurance



- Promote **women entrepreneurship** and women's access to leadership positions
- Develop **women's access to decent jobs** and income-generating opportunities

- 20% of companies owned or led by women
- 40% of women employees
- 50% women clients in microfinance institutions



- **Bring additionality** by investing in different areas and address local needs, including in rural areas

- 80% or more of investments allocated to Least Developed Countries and Fragile Countries
- A portfolio of companies based in 16 different countries in Sub-Saharan countries



- Provide or use equipment and services **improving environmental impact** (clean technology, energy efficiency, waste management, water and effluent management)
- Promote **sustainable use of natural resources**: sustainable fishery, forestry, agriculture

- Annual assessment of portfolio's carbon footprint (32,958 tCO₂ eq for IPAE in 2017)
- 50% of companies implementing "green projects"

I&P is also committed to investing in companies that address basic needs: 70% of our partner companies provide goods and services that directly respond to the Sustainable Development Goals, such as:



GOAL 2: ZERO HUNGER

- **Eden Tree, Ghana**: provide fresh fruits and vegetables
- **Nutri'Zaza, Madagascar**: fight against child malnutrition



GOAL 3: HEALTH AND WELL-BEING

- **CAMED, Mali**: improve access to medicine with a wide range of generic drugs
- **NEST, Senegal**: provide quality health infrastructure for women and children in Dakar



GOAL 6: CLEAN WATER AND SANITATION

- **Delta Irrigation**: install efficient irrigation systems in Senegal and Côte d'Ivoire
- **Barajii, Pan-African**: produce water and local fruit juices in West Africa



GOAL 7: CLEAN AND AFFORDABLE ENERGY

- **PEG, Ghana**: Bring off-grid solar energy access to rural & peri-urban communities in West Africa
- **CDS, Mauritania**: Provide access to water and electricity to rural communities and remote villages

Focus on ESG priority areas

We are committed to pooling resources around specific ESG objectives we consider strategic for African SMEs in order to enhance their positive impacts and mitigate potential risks.



ENVIRONMENT: PROMOTING SUSTAINABLE GROWTH IN AFRICA

Our approach and objectives

I&P seeks to build a portfolio that makes an overall positive contribution to environmental challenges in Africa:

- Target investments involving positive impacts on the environment (around 25% of current investments) and promote environmental mitigation measures (43% of the portfolio)
- Mitigate potential negative impacts and reduce the portfolio's carbon footprint

Our actions

- Assess the portfolio's carbon footprint on a yearly basis (32,958 tCO² eq for IPAE in 2017)
- Work on energy related actions with partner companies and in collaboration with experts
- Implement an environmental management system for companies with environmental challenges

Focus: Portfolio objective - Reducing the portfolio's carbon footprint

We believe our investees can play an active role in building and sharing innovative and replicable energy-related solutions. Some examples below:

Pharmivoire (Côte d'Ivoire)

Production of intravenous fluids

- Energy saving system for the boiler ordered after a technical assistance mission conducted by energy efficiency experts

SOFAMAC (Senegal)

Production of construction materials

- SOFAMAC's boiler is supplied with peanut shells, which provide 60% of the factory's total energy

Eden Tree (Ghana)

Provider of fresh fruits, vegetables and herbs

- Use of biogas energy (implementation of a composter)



SOCIAL: ENSURING BETTER WORKING AND LIVING CONDITIONS

Our approach and objectives

- Create decent jobs for all with a strong focus on women and young people
- Create business for local suppliers and distributors

Our actions

- Improvement of H&R practices and employee health insurance coverage
- Close scrutiny of health & safety at work (particularly industrial risks and road safety)
- Assistance programs for local suppliers and distributors (trainings, social incentives, etc.)

Focus: I&P Health Insurance Initiative

In collaboration with insurance industry experts, I&P has implemented a tailored assistance program to help partner companies implement or upgrade their health insurance systems. 50% of companies implemented or upgraded their health insurance systems since I&P's investment.



GOVERNANCE: ENSURING THE INTEGRITY AND GOOD GOVERNANCE OF THE PORTFOLIO COMPANIES

Few SME entrepreneurs in Africa are implementing satisfactory governance and management standards. Our contribution to good governance practices is threefold:

- Implementation of a shared governance
- Upgrading of accounting and reporting practices
- Zero tolerance of fraud and corruption

Our Impact Management policy

BEFORE INVESTMENT

IMPACT SCREENING

- Evaluating potential impacts and ESG risks
- Check investment projects on their alignment with the fund's core impact objectives
- Identify ways to improve overall impact

DURING INVESTMENT

IMPACT MONITORING, UNTIL EXIT

- Implementing ESG action plans to generate economic and societal value
- Measuring results
- Ensuring good impact management after exit

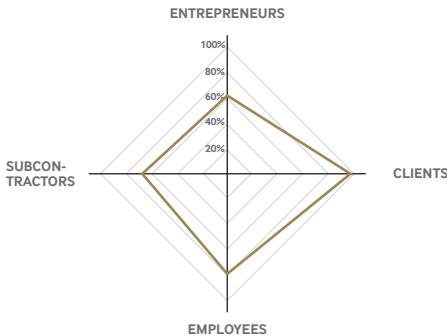
IMPACT SCREENING

1- Assessing potential impacts

I&P team has developed an **Impact Investing Scorecard** for assessing potential impact of the investment project on its key shareholders:

- Employees (both quantitative and qualitative)
- Clients and local communities
- Local suppliers & distributors
- Local entrepreneurship (additionality of the investment, leverage effect, etc.)

Sample IPAE Impact Screening Scorecard

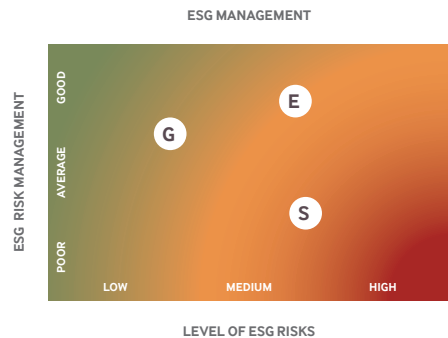


2- Evaluating ESG risk and ESG management

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

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

Sample ESG risk categorization matrix



3- Conducting ESG due diligence

Due diligence includes an **in-depth analysis of ESG-related matters as an integral part of the overall assessment (with operations and finance) and in close conjunction with:**

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

The aim is not to penalize SMEs' practices but rather to work with the entrepreneurs to identify areas for improvement. We establish priority action points for the main challenges and everything is formalized in an ESG action plan.

IMPACT MONITORING UNTIL EXIT

1- Implementing ESG action plans to generate economic and societal value

The investment team works with portfolio companies on **concrete ESG action plans** that generate economic value and are fully integrated into the company's operations. Portfolio companies legally undertake implementing and monitoring of 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.

2- Measuring results

I&P measures investee performance both on impact and on ESG practices.



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

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



CASE STUDY: ITGStore (2017)

ITG Store is a Cameroonian IT engineering company created in 2016 and specialized in the integration, monitoring and maintenance of network and telecommunication facilities.

Key impacts:

- **Promoting local talent:** 100% of employees are Cameroonian, and receive 3 training sessions on average per year
- **Providing opportunities for young people:** 35% of employees have obtained their first job at ITGStore. The company has also set up a training lab at the Polytechnic University
- **Access to medical care:** all employees are covered, and 48% of them subscribe to their first health insurance thanks to ITGStore

3- 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**.



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