



I&P Afrique Entrepreneurs

ANNUAL ESG AND IMPACT REPORT

END OF MARCH 2016

JEAN MICHEL'S MESSAGE

“I&P is an impact investment firm. Promoting a new generation of responsible entrepreneurs is our key contribution to the development of Africa. This mandate is even more needed, as the continent is experiencing a drop in its growth pace, after 15 years of outstanding performance. Reasons for this slowdown are well identified: drop in many commodity prices, probably closing an exceptionally long cycle, but also macroeconomic mismanagement leading to excessively fast public debt growth, high inflation and exchange rate instability in an international context where borrowing conditions have tightened for most emerging economies.

This context makes IPAE contribution even more needed. Only strong investment in the productive sector and sound macroeconomic policies, linked to international support will allow African economies to rebound, and win the major battles of unemployment, poverty and sustainable development. Many more entrepreneurs are needed to improve the competitiveness of the economies, create jobs and improve the environmental and social standards of the continent.

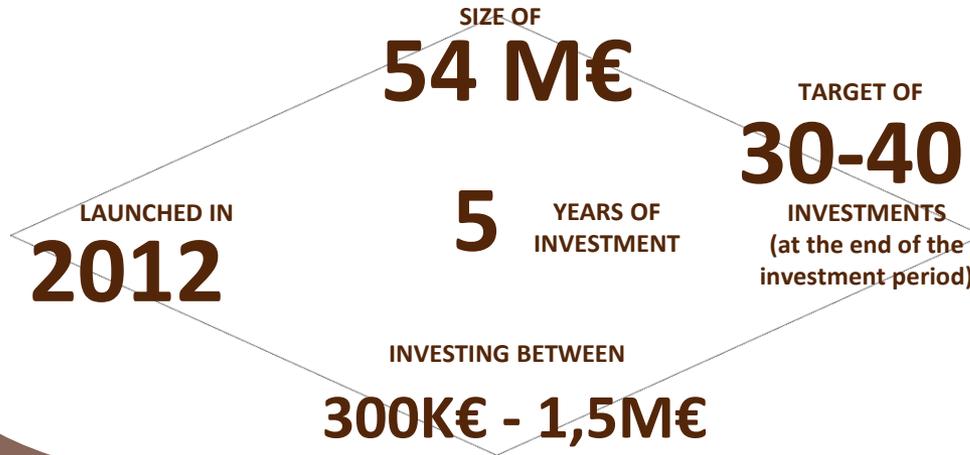
By investing mostly in the countries that are natural resources deprived with a high growth potential based on "real economy" initiatives, and by supporting ethically managed business, IPAE is making a difference. A huge majority of our investments are backing African rooted entrepreneurs; more than one thousand jobs have been already created, paying four times higher than the minimum local wages. But poverty is also alleviated by the impact of IPAE's investee corporations on their clients : 90% of partner companies meet local unsatisfied demand for goods and services addressing, in 70% of cases, the new UN Sustainable Development Goals . They also build local networks, generating business opportunities for small-scale suppliers and distributors. And we help low carbon and low natural resources impact growth to take place: investments like PEG in Ghana pave the way for a new energy model on the continent, while our cross-portfolio energy efficiency program helps changing the energy consumption paradigm in our business community.

At I&P, we care not only about who are our business partners , but also about their mission, their activity, and whether they contribute to a social good. We are also focused with them on how they deliver on their mission: high ESG performance is not an option for us, but also the most sure route for high financial performance and the only coherent way of being on line with our overall mandate. Sure, our business partners and us face technical, social, human, economic and financial challenges on delivering on this agenda. But we are strongly backed by our Investors, and can for instance draw on the technical assistance resources which they provide and which is so helpful. And we are also assisted by a wide range of experts and volunteers who strongly believe in the importance of the challenge we address. Let me and my colleagues thank all those partners who allow us to improve every year IPAE extra financial performance and contribute, even modestly, to a better, wealthier and more peaceful Africa”.



JEAN-MICHEL SEVERINO
CEO, Investisseurs & Partenaires

I&P AFRIQUE ENTREPRENEURS AT A GLANCE



INVESTMENT CRITERIA

- Located in Sub-Saharan Africa and Indian Ocean
- From formal economy
- Generating local added value
- With a strategic position on their market
- In diversified sectors

10 years after its first fund IPDEV, the fund **I&P Afrique Entrepreneurs** was launched in **2012** to support entrepreneurs looking for economical and social performance in their business. It targets SMEs operating in Sub-Saharan Africa and Indian Ocean. Today, IPAE's portfolio is holding around twenty participations, as a minority shareholder, and continue to invest widely.

OUR MODEL

1

Financing



2

Strategic & managerial support



3

Technical Assistance



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ESG AND IMPACT OVERARCHING APPROACH

IPAE addresses four key impact objectives

1

ENTREPRENEURS

Develop sustainable entrepreneurship in local SMEs

2

EMPLOYEES

Create decent jobs & training opportunities

3

CLIENTS

Meet unsatisfied demand for goods and services

4

SUBCONTRACTORS

Create business for local suppliers & distributors

WHILE FOSTERING AN ENVIRONMENT-FRIENDLY DEVELOPMENT

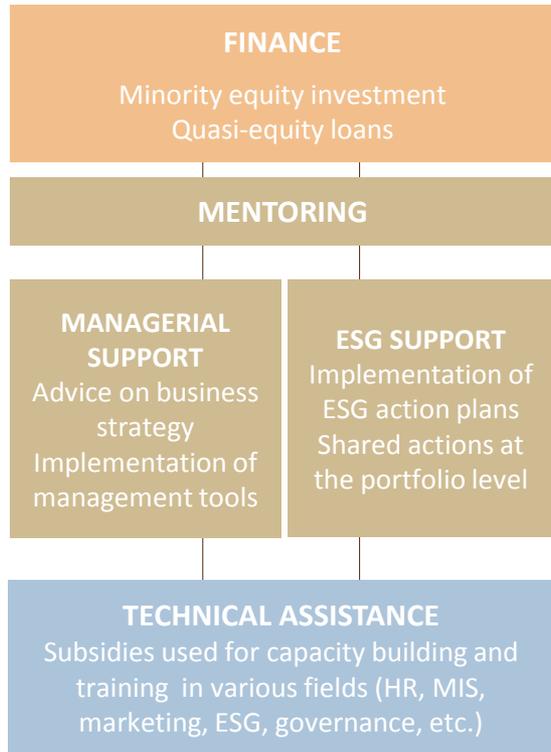


ESG approach

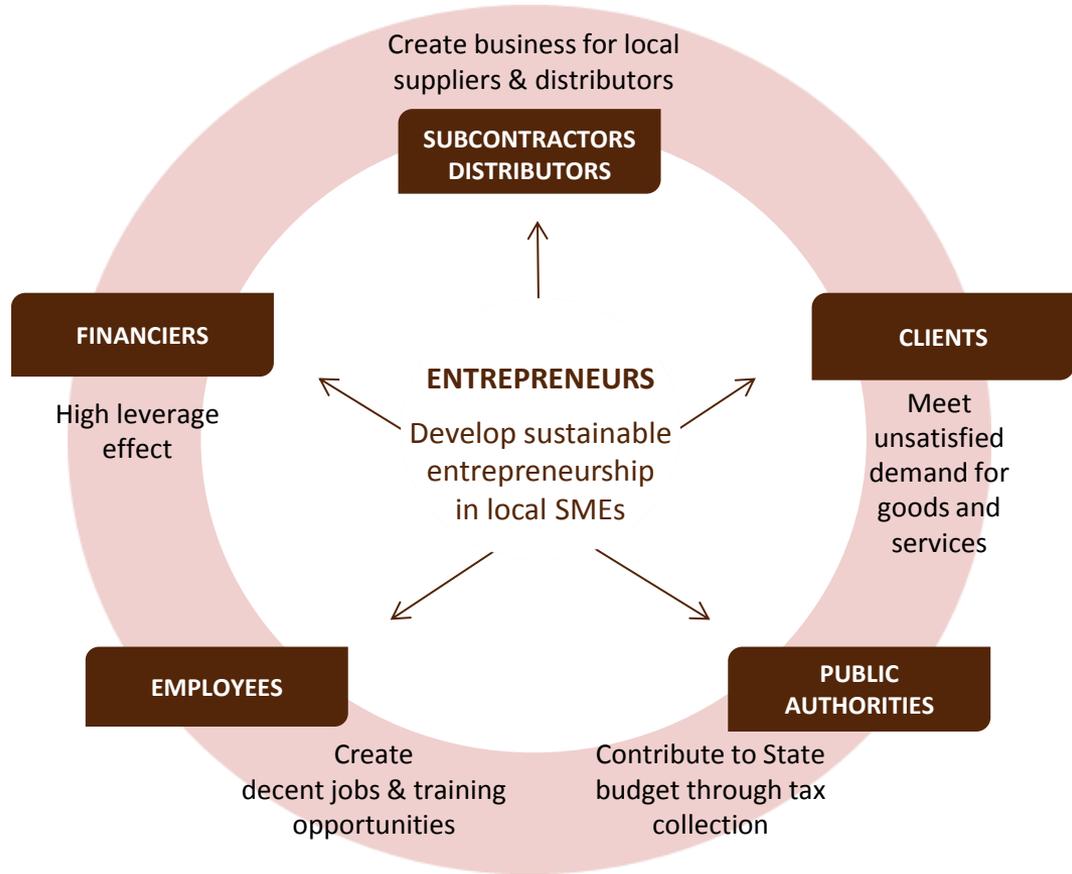
- We are committed to **improve our portfolio companies' Environmental, Social and Governance-related (ESG) practices**, to enhance positive impacts and mitigate potential risks.
- We aim at building the business case for **ESG implementation across African SMEs**
 - We integrate ESG factors in all steps of the investment process from pre-screening to exit
 - We work closely with entrepreneurs to build capacity as early as possible
 - As far as possible, we promote actions creating combined societal and economic value

ESG AND IMPACT VALUE CHAIN

INPUTS & ACTIVITIES

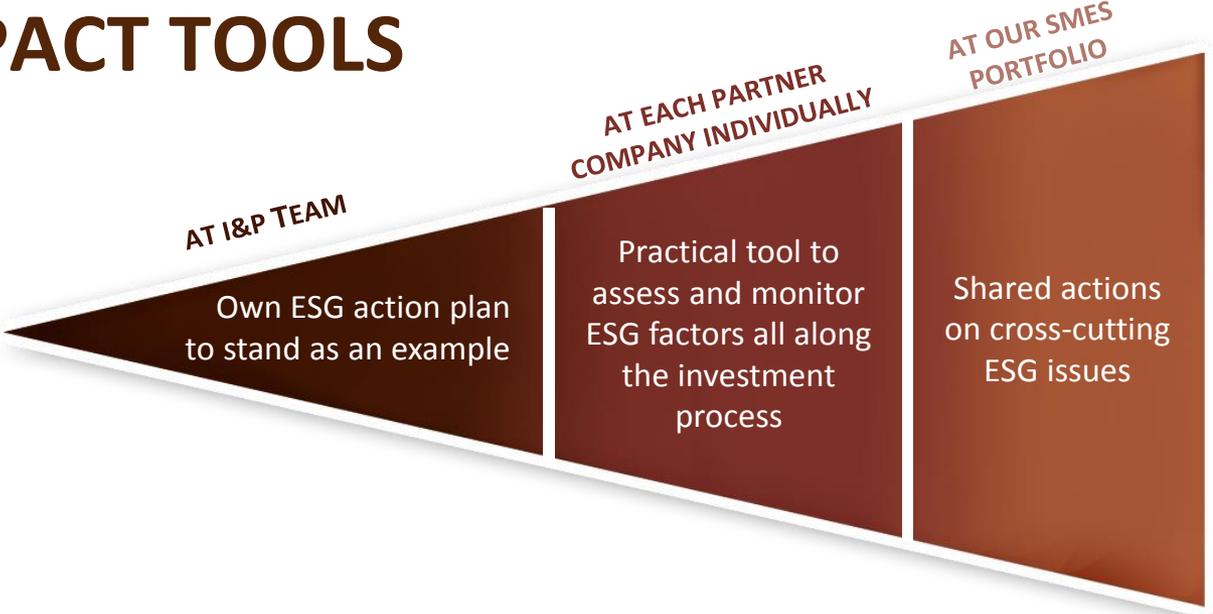


EVALUATION OF THE IMPACTS ON THE COMPANY STAKEHOLDERS



ESG AND IMPACT TOOLS

ESG TOOLS AND ACTIVITIES



IMPACT ASSESSMENT

IMPACT CASE STUDIES
In depth impact case studies based on field research for some partner companies

IMPACT MEASUREMENT TOOL
Collection of a set of impact metrics on all our investments (based on company stakeholder analysis)

CARBON FOOTPRINT ASSESSMENT

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

FOCUS ON THE IMPACT SCREENING SCORECARD

Assessing potential impact

- As creating effective and sustainable impacts is a key feature of IPAE investment thesis, the impact assessment constitutes **an integral part of the investment selection process**.
- I&P team has developed in 2015 an **Impact Screening Scorecard** for assessing potential impact of the investment project on its key stakeholders.

The scorecard consists in a questionnaire structured around the core areas of IPAE impact investing thesis

- Impact on employees (both quantitative and qualitative)

- Impact on clients

- Impact on local suppliers & distributors

- Impact on local entrepreneurship

- Impact on environment

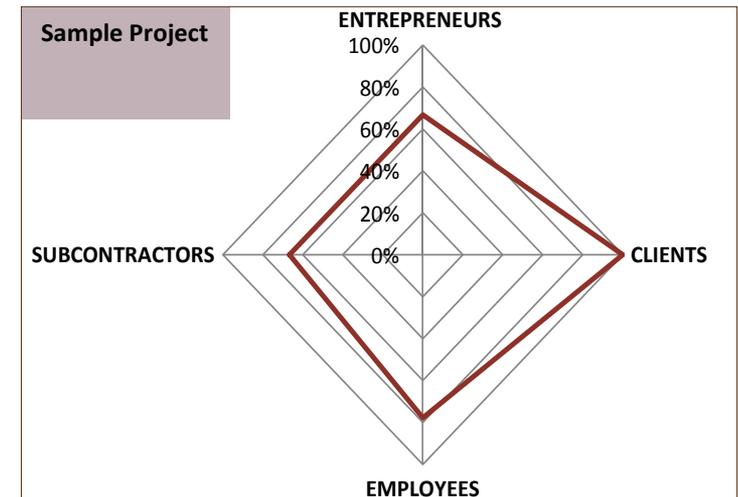


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ESG METHODOLOGY – PRI assessment

Best in class practices, positioning I&P among the best performers

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 2015 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 | OVERARCHING APPROACH MODULE | <ul style="list-style-type: none"> • Improved score (from A to A+) as compared to 2014 • 100% criteria met thanks to increased disclosure of ESG commitments. |
| Total Score | 30 ★ (out of a maximum 30 ★ from 10 ^{†††} indicators including the following additionally assessed indicators: OA 09a, OA 09b, OA 12) | |
| Band | A+ | |

| | | |
|--------------------|--|---|
| Module | PRIVATE EQUITY | <ul style="list-style-type: none"> • Satisfactory assessment • Improvement potential: more <u>formal</u> sustainability policies within partner companies |
| Total Score | 31 ★ (out of a maximum 33 ★ from 11 indicators including the following additionally assessed indicators: PE 06, PE 10, PE 11, PE 12) | |
| Band | A | |

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

IMPACT ASSESSMENT METHODOLOGY - Contributions

Our commitment to share knowledge on impact measurement

Contributions to impact measurement practice

Collaboration with the European Venture Philanthropy Association (EVPA)

- Organized a **site-visit** at I&P focused on I&P model and impact measurement methodology in **June 2015**.
- Published in February 2016 **two in-depth case studies on impact measurement**, one of them based on I&P practice (<http://evpa.eu.com/publication/impact-measurement-practice-depth-case-studies>)
- This follows a first case study conducted on I&P Impact measurement methodology in 2014 and included in the final report of the **G8 Impact Measurement Working Group**

Collaboration with the GIIN

- I&P is currently participating in the GIIN project on BoP Basic Services health impact measurement
- The goal of the project is to increase transparency and understanding around the metrics, methodologies, and assumptions used by investors to measure impact in the health sector, while surfacing challenges and limitations they face.

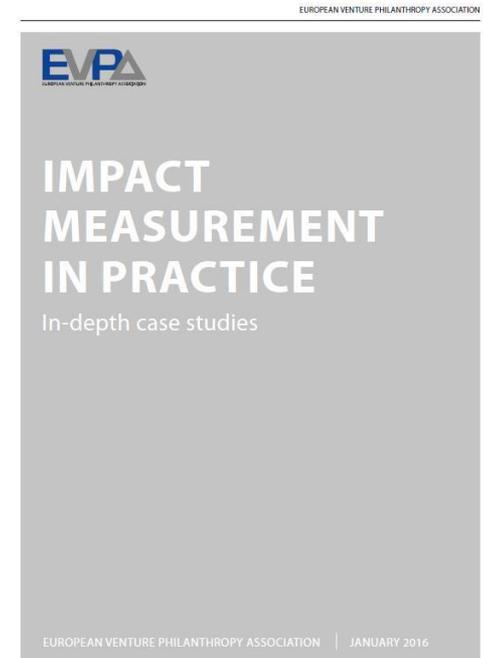


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REVEAL THE IMPACTS OF AFRICAN SMEs

With the visual project "Small is Powerful"

Initiated by the photographer Joan Bardeletti and Investisseurs & Partenaires, "Small is Powerful" aims to show a new facet of the African continent and to demonstrate the key role played by the small and medium-size enterprises for the development of the continent. Supported by the French Development Agency, Proparco, CFAO, the government of Monaco and the European Union, the project aims to assess the impacts SMEs have on their environment and stakeholders.

Each enterprise is presented through its founder, its activity, but also through its economic, social, human and environmental impacts. Selected companies are representative of the sectoral and geographic diversity of the SME sector in Sub-Saharan Africa



Agrisatch

Locally produces good-quality eggs in Benin



CDS

Provides access to water and electricity in rural areas in Mauritania



IOT

Breeds and exports sea cucumbers in Madagascar



NEST

offers a complete monitoring of woman and young child in Senegal



Wecyclers

Offers an innovative recycling service in Lagos, Nigeria

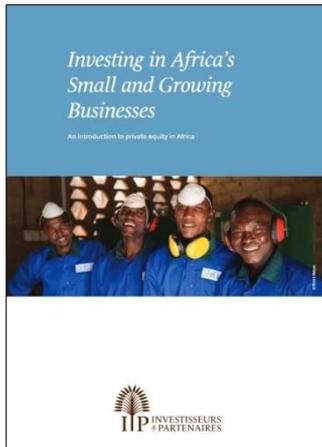
IMPACT METHODOLOGY



Before each reportage, there is extensive preparatory work with the SMEs, filling in an impact assessment matrix specifically drawn up by the project team and based on EU recommendations in the domain. The study questions the impacts of the company on its ecosystem (employees, clients, suppliers, local communities...). The contents of the matrix constitute a check-list which then guides the visual production (photo and video) during a 10-day reportage on-site.

FOSTER IMPACT INVESTING IN AFRICA

With practical tools and contributions to knowledge development



Investisseurs & Partenaires published the handbook "Investing in Africa's Small and Growing Businesses", a new tool to foster the development of early-stage SME investment in Africa and encourage the rise of new investors on the continent.

Funded by the Rockefeller Foundation and Tony Elumelu Foundation and designed in partnership with Ernst & Young, the Aspen Network of Development Entrepreneurs and INSEAD Business Schools, the handbook is intended for professionals willing to invest in African small businesses, for African entrepreneurs and for anyone interested in the topic of SME financing in developing countries. The handbook presents:



The lessons learned by **6 investors** that have collectively invested several hundred million euros in African SGBs



The testimonials of **10 African entrepreneurs** who share their feedbacks about their partnerships with investors



The **methodology of equity investment** to target small and medium-sized enterprises explained in 11 key points



A **roadmap in 7 steps** to launch an investment vehicle targeting African SGBs

The handbook is available on:
www.investinginafricansmes.com

Other contributions to the impact investing field in Africa

- Contribution to several reports and studies on impact investment (GIIN, ANDE...), including the GIIN report on the landscape for impact investing in West Africa
- Contribution to the Dutch Good Growth Fund (DGGF) report on "New perspectives on financing small cap SME's in emerging markets. The case for mezzanine finance."
- Contribution of Jean-Michel Severino to the blog "Private Sector & Development", coordinated by Proparco, with an article called "Acting sustainably to promote African small businesses: the challenge facing mission investors"
- Launch of a report on the contribution of impact investment to the new Sustainable Development Goals in Africa, in partnership with FERDI, a French think tank

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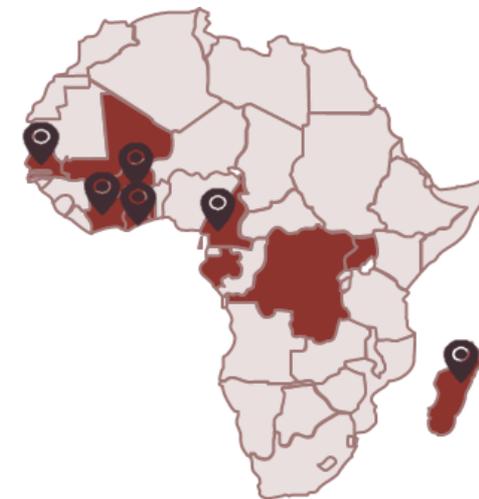
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BRIDGING THE FINANCING GAP

Overview of IPAE portfolio

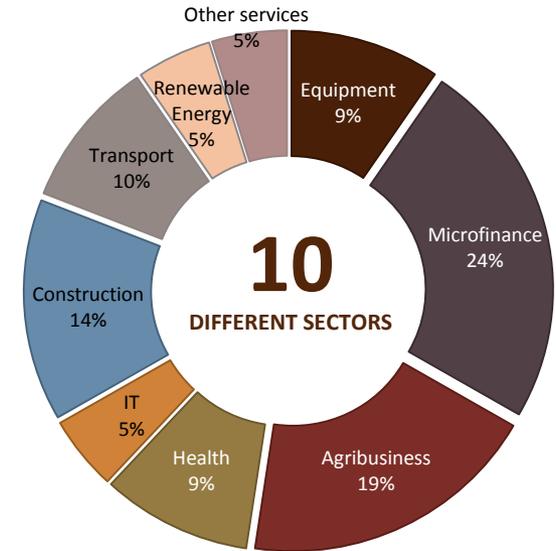
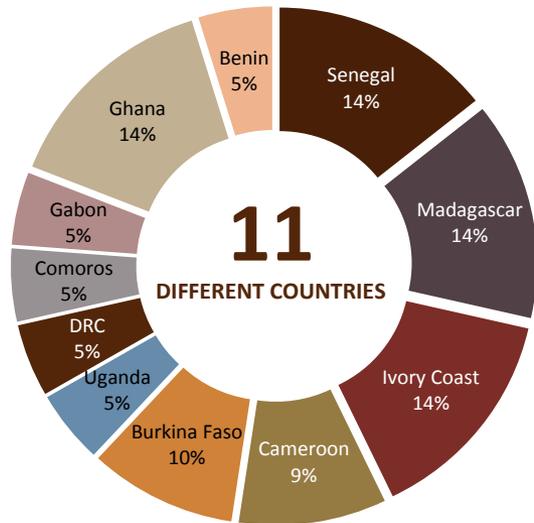


| Name | Country | Size | Stage | Year of investment | |
|--------------------------------|--------------------|---------------|--------------------|--------------------|---------------|
| Carrières du Mounjo (CDM) | Cameroon | Medium | Expansion | 2014 | |
| Eden Tree | Ghana | Small | Expansion | 2015 | |
| Indian Ocean Trepang (IOT) | Madagascar | Very small | Early stage | 2012 | |
| Pharmivoire | Ivory Coast | Small | Expansion | 2014 | |
| SCRIMAD | Madagascar | Small | Expansion | 2015 | Manufacturing |
| SOFAMAC | Senegal | Very small | Early stage | 2012 | |
| TINCY Boulangeries* | Benin | Medium | Expansion | 2015 | |
| TRIANON | Gabon | Medium | Expansion | 2014 | |
| Bakou Logistics | Burkina | Small | Expansion | 2013 | |
| CONERGIES Group | Mali/Ivory Coast | Small | Expansion | 2012 | |
| Delta Irrigation | Senegal | Very small | Expansion | 2012 | |
| Enval | Ivory Coast | Small | Expansion | 2015 | Services |
| ITG Store | Cameroon | Small | Expansion | 2012 | |
| NEST FOR ALL (NFA) | Senegal | Very small | Early stage | 2012 | |
| PEG | Ghana | Medium | Early stage | 2015 | |
| Voltacars Rental Service (VRS) | Ghana | Small | Expansion | 2014 | |
| ACEP Burkina | Burkina | Very small | Greenfield (MFI) | 2012 | |
| ACEP Madagascar | Madagascar | Medium | Expansion | 2012 | |
| Banque des Comores (BDC) | Comoros | Medium | Expansion | 2014 | Microfinance |
| Oxus | DRC | Small | Greenfield (MFI) | 2013 | |
| Finance Trust Bank (FTB) | Uganda | Medium | Expansion | 2013 | |

(*) The impact figures of this annual report do not include TINCY since we invested in the company at the very end of 2015

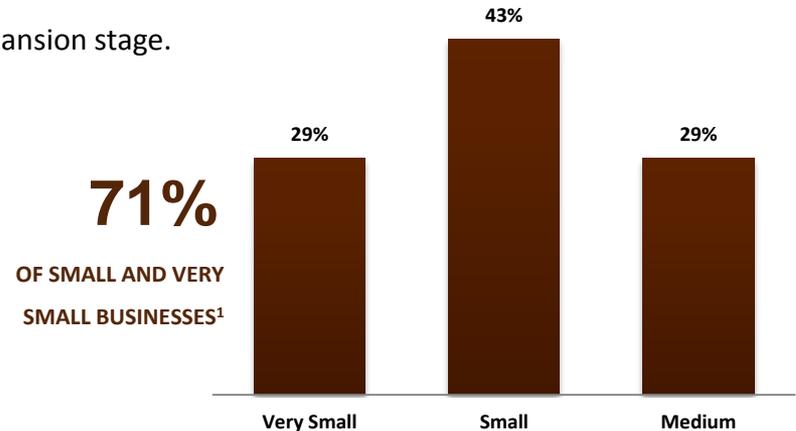
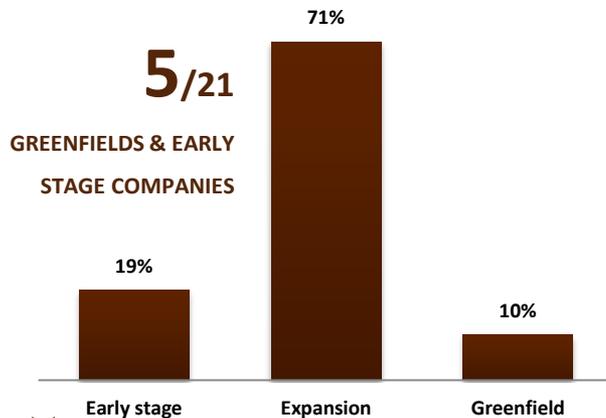
IN VARIOUS COUNTRIES AND SECTORS

Breakdown of investments per country, sector, size and maturity stage



Since its creation in 2012, IPAE has invested in **21** companies located in 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.



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

MEETING AFRICAN NEEDS (1/2)

Providing goods & services addressing Sustainable Development Goals

90%

of partner companies address African needs, 50% basic ones. Most of IPAE's investments meet an **uncovered national or regional need**.

70%

of partner companies provide goods or services directly addressing **Sustainable Development Goals (SDGs)**. Other SDGs are addressed at portfolio level.

GOAL 1 : End poverty in all its forms



1 079

Jobs created since 2012 in I&P partner companies. In 2015, they employ more than 2 100 people.



55%

A minimum wage 55% higher than the decent wage on average

GOAL 2 : End hunger, improved nutrition and promote sustainable agriculture

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



340

Tons of fruits or vegetables sold in 2015



6 000

Breads 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



1 600

Visits at the clinic in 2015



226

Babies born in 2015 in NEST facilities

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



25%

Of companies led by women



34%

Of the employees are women

MEETING AFRICAN NEEDS (2/2)

Providing goods & services addressing Sustainable Development Goals

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

- **Delta Irrigation** : save water thanks to efficient irrigation systems



9 000

Hectares of irrigated land in 2015

GOAL 10 : Reduce inequality within and among countries



57 %

Of IPAE's investments are located in Least Developed Countries

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

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



5 860

Solar kits sold in 2015

GOAL 14 : Conserve and sustainably use the oceans, seas and marine resources for sustainable development

- **IOT** : preserve sea cucumber marine resources in Madagascar



17 239

Sea cucumber reared and sold in 2015

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

- **SOFAMAC** and **CDM** : building material industries in Senegal and Cameroun
- **Microfinance (5 institutions)** : access to affordable loans for small scale enterprises



75 000

Small borrowers in 2015

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PROMOTING AFRICAN ENTREPRENEURS

Support a new generation of promising entrepreneurs

- **Main challenge:** promoting growth on the continent through a new generation of responsible African entrepreneurs
- **Who share a commitment:** to create value, both economic and social, as a contribution to their country's development
- **And form an innovative social group:** bringing additional political stability and strengthening institutions thanks to their affiliation to the formal economy

Gender-diverse entrepreneurs and managers with local roots



20 entrepreneurs based on the long term in Africa

75% of partner companies led by **Africans**
25% led by **African women**

A significant local and international experience



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

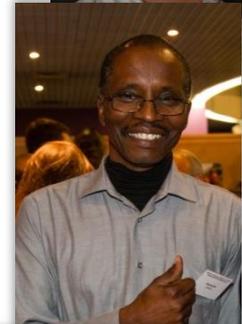
75% of the African CEOs **studied abroad**

Diverse shareholding structures



30% have created or taken over a family business

40% are in partnership with international entrepreneurs or companies



ORGANIZED AS A NETWORK (1/2)

LE CLUB AFRICAIN DES ENTREPRENEURS – Overall presentation

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

1. PROMOTE ENTREPRENEURSHIP

- Promote entrepreneurship in Africa by shedding light on the activities of the members and promoting this initiative amongst different stakeholders including youth and women

2. FOSTER OPPORTUNITIES

- Spark new types of interactions between the members, on a local, national, regional and panafrican scales in order to share best practices and foster business opportunities

3. ENHANCE SKILLS

- Contribute to the skills development of the entrepreneurs as well as their employees' in order to develop local human resources

In order to reach the aforementioned objectives, a four-strands business offer that includes the following has been designed:

- **BUSINESS DEVELOPMENT:** Sector-focused clusters creation, business opportunities relates exchanges, technical assistance fund creation
- **TRAINING:** Design and implementation of three training sessions dedicated to the top management, middle management and one online open course
- **ADVOCACY:** Members ethics and values promotion, and most specifically: entrepreneurship, youth awareness campaigns with regards to entrepreneurship and women entrepreneurship
- **BEST PRACTICES:** Best practices exchange, organization of local, national, regional and pan African meetings and partnerships with sister organization

An international and heteroclite Executive Bureau has been elected and is currently is in charge of its governance:



President: Dr Elisabeth Kacou (Pharmivoire), Côte d'Ivoire



Vice-Président: Gabriel Fopa (ITG Store (Cameroon))



Secretary General: Sidi Khalifou (CDS), Mauritania



Vice Secretary General: Dr Jules Kebe (Duopharm), Senegal



Treasurer: Emilie Debled, I&P, France



Vice-Treasurer: Catherine Krobo Edusei (Eden Tree), Ghana

ORGANIZED AS A NETWORK (2/2)

LE CLUB AFRICAIN DES ENTREPRENEURS – Expected impacts

Le Club Africain des Entrepreneur has been designed in order to foster significant impacts on the member organizations in different respects:



Business Impact

The first expected impact of the Club, is to contribute to the enterprise's growth, by implementing various initiatives aimed at contributing to the development of their activities.



Advocacy impact

By encouraging entrepreneurs to get together and share their stories, the Club aims at addressing some of the issues they may encounter along their way and engage with regional organizations and law-makers in order to promote some solutions to these very issues. In addition, by communicating on these stories, the club aims at providing a different take as far as Africa's representations are concerned.



Training impact

By assessing the needs of the entrepreneurs, providing them with tailor-made training solutions, and allowing the different levels of the company to access these trainings, the Club aims at enhancing the skills of the employees, and in turn, contribute to the development of quality human resources on a local scale.



Networking impact

By fostering different types of exchanges between the member enterprises located in different countries, the Club aims at taking part in the making of a pan African community of high-quality entrepreneurs, but also, to contribute to the panafrican integration process.

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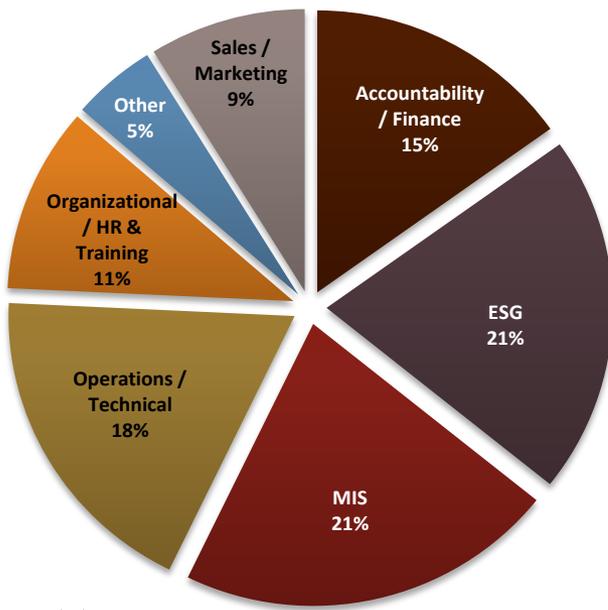
SUPPORTED BY TECHNICAL ASSISTANCE (1/4)

A managerial support provided by IPAE

OVERVIEW

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, IPAE technical assistance (TA) program is critical to foster **capacity building, skills transfer and training** in partner companies. It is complementary to IPAE general strategic & management mentoring. The TA program is based on grants from the **European Investment Bank** and **FISEA** (€1.25 M). It co-finances a great variety of support missions being carried out by independent specialists.

Types of TA missions



Our Donors

European Investment Bank (EIB)

- Contribution: € 1M
- The EIB is the European Union's bank.
- As the largest multilateral borrower and lender by volume, EIB provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives.



Fonds d'investissement et de soutien aux entreprises en Afrique (FISEA)

- Contribution: € 250 K
- Created in 2009, FISEA, owned by the Agence Française de développement (AFD) and managed by PROPARCO, aims to support economic growth and reduce poverty in Sub-Saharan Africa.



TA assessment

After spending half of the budget allocated by EIB and FISEA, IPAE and its donors seek to better assess the impacts that TA missions have on IPAE partner companies, in order to define a clear methodology of impact evaluation and improve the efficiency of this program.

SUPPORTED BY TECHNICAL ASSISTANCE (2/4)

The impact assessment of TA program

CONTEXT

The impact assessment of this TA program has been carried out by (IM)PROVE during the first quarter 2016. This French association of 70 people, specialized in impact measurement, has been assigned to determine the inputs and outputs of the TA program and to study specific outcomes for 3 companies: **Pharmivoire (Ivory Coast)**, **Conergies (Ivory Coast)** and **Nest (Senegal)** which benefited from various TA assignments.

OBJECTIVES

- 1** Build a measurement tool to determine the impacts for each TA mission
- 2** Assess outcomes, efficiency and effectiveness of TA missions
- 3** Give accurate recommendations to improve TA contract management

STEPS



MAIN OUTCOMES AND NEXT STEPS

- Building logical frameworks by type of TA support with **key indicators** that will be used to assess TA missions' impacts.
- At the end of this evaluation, IPAE should have the **tools** it needs to initiate an **impact assessment process** and **define its own impact measurement method**. This work aims to strengthen the TA program by providing to IPAE's companies an even more adapted managerial support.

SUPPORTED BY TECHNICAL ASSISTANCE (3/4)

Key quantitative results

Main Figures



TA Program started in **2012**

70

Missions have been conducted



A total budget of **680 k€** for an average amount of **10 k€** per mission has been spent



21 companies benefited from this program

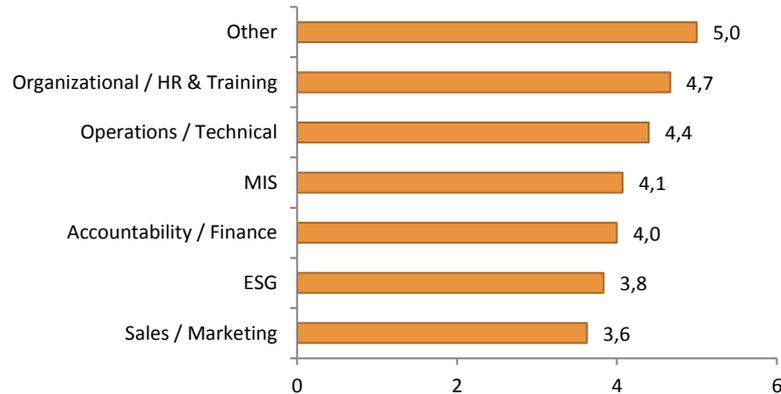
17

Days is the average time spent in TA missions.



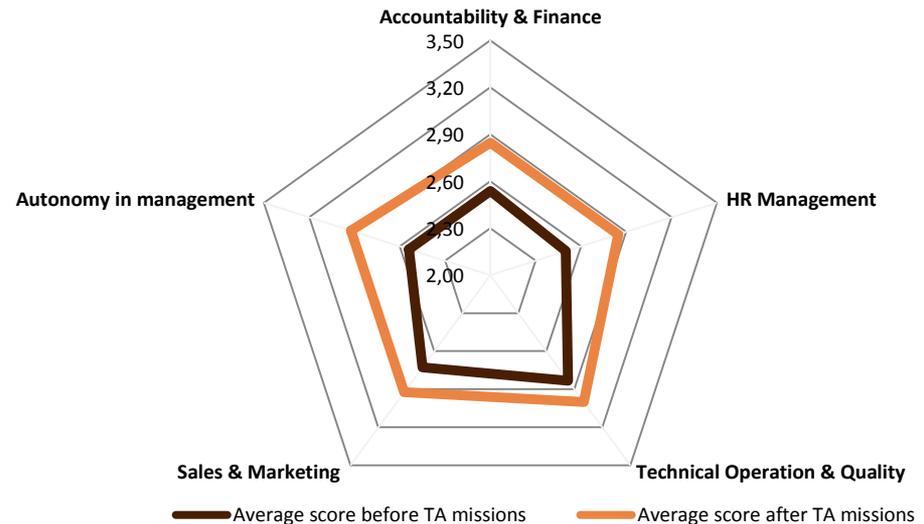
48 different experts have been committed to TA missions with **40%** of African experts

GENERAL SATISFACTION



89% of beneficiaries report to be satisfied and very satisfied giving a score between 4/5 and 5/5.

IMPACT ON MANAGERIAL CAPACITIES



SUPPORTED BY TECHNICAL ASSISTANCE (4/4)

Focus on outcomes of the TA program for two investee companies

NEST FOR ALL



Number of missions: 3

Total budget : 29 670€

Total days: 46

Number of consultants: 3

NFA is a Senegalese medical network that offers a specific health care for pregnant women and young children.

4 different missions has been conducted in this company by 3 different consultants : 2 Management Information System (MIS), 1 coaching and 1 technical missions.

CONERGIES



Number of missions: 4

Total budget : 38 410€

Total days: 66

Number of consultants: 2

Conergies is a specialist of conception, engineering and servicing of air conditioning system.

This company benefited from 4 missions conducted by two consultants to reinforce company's MIS and its sales strategy.

OUTPUTS & OUTCOMES OBSERVED



OUTPUTS

- Hygiene procedures and health care process
- CRM solutions with Microsoft Access
- Coaching of the CEO



OUTCOMES

- Support in starting activities
- Good quality standards and management of contamination's risk
- Good customer satisfaction
- Good HR organization and staff training
- Boost in managerial skills and individual performance
- Team relationships and autonomy reinforced

OUTPUTS & OUTCOMES OBSERVED



OUTPUTS

- Process analysis & optimization
- Customer management solutions
- SAGE software installation
- Staff training
- Market study



OUTCOMES

- Financial analysis of projects enabling better project management and better informed decision-making
- Adjustment of sales policy
- Improved security and reliability of information
- Better internal communication
- Productivity substantially increased

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FOSTERING GOOD GOVERNANCE

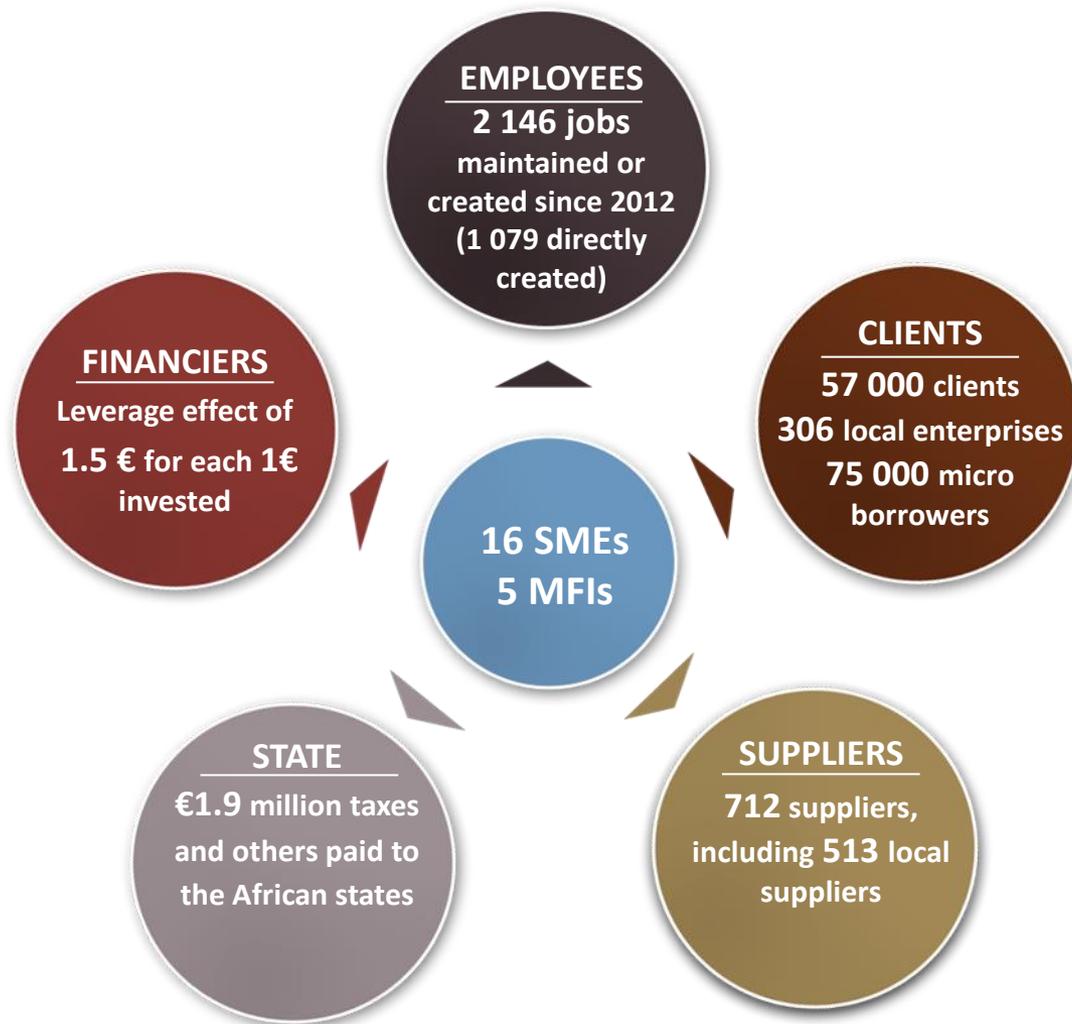
- *Implementation of a shared governance*
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OVERVIEW : IPAE'S MAIN IMPACTS IN 2015



FOR 100 000€ INVESTED...

14.1

JOB
S CREATED
OR MAINTAINED



7.3

NEW JOBS
CREATED

€ 186 000

WAGES PAID



14

EMPLOYEES TRAINED

€ 41 000

TAXES PAID



€ 13 000

OF NET VAT PAID

€ 214 000

VALUE ADDED



€ 809 000

TURNOVER

ADDITIONAL BUSINESS FOR

9.8

SUPPLIERS



- For a better representativeness, these figures are based on all the companies we have invested in for over a year.
- The numbers presented are the cumulative figures since the launch of the fund in 2012, rounded to the nearest thousand.

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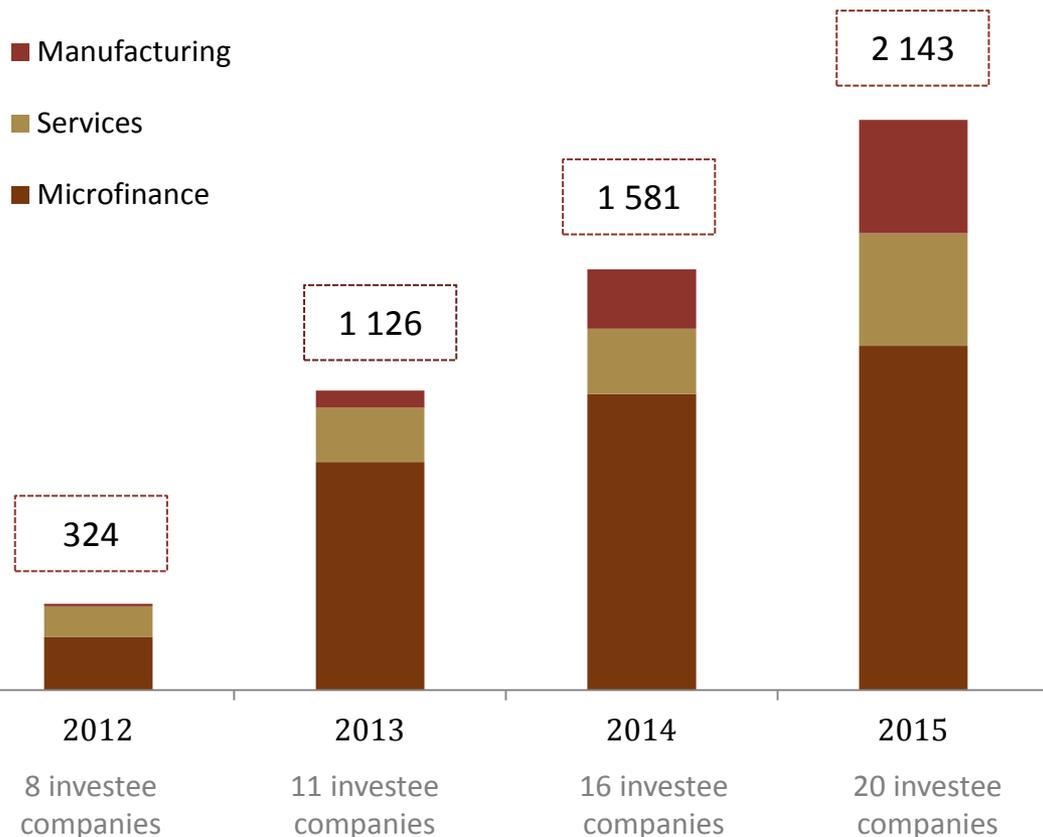
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JOB CREATION

Average number of employees doubling after IPAE's investment



2 143
jobs created or maintained
in our partner companies since 2012

1 064
jobs maintained
since 2012

1 079
jobs directly
created since 2012

57
employees per
company before
IPAE's investment

➤

107
employees per
company in 2015 on
average

5%
Employment growth
per year on average
in Sub-Saharan
Africa*

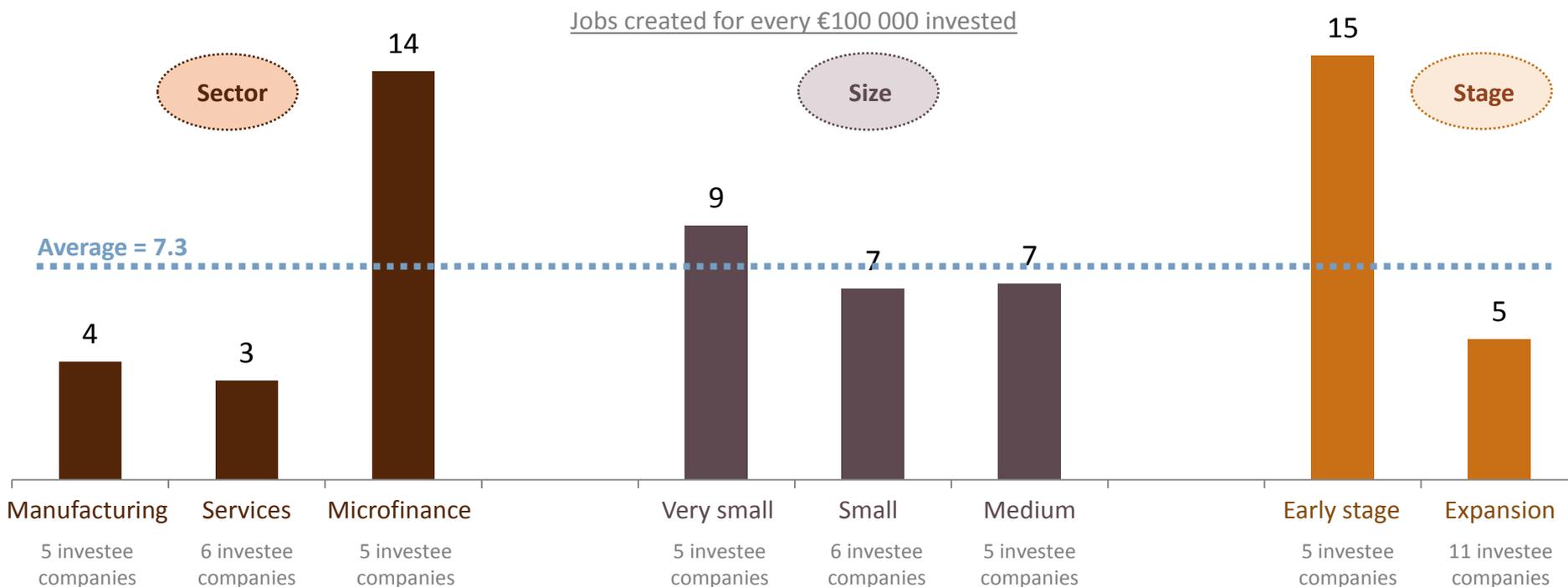
➤

28%
Employment growth
per year on average
after IPAE's
investment

(*) Source : McKinsey Global Institute report, Africa at work: Job creation and inclusive growth, 2012

JOB CREATION

7.3 jobs created for every €100 000 invested



KEYNOTE

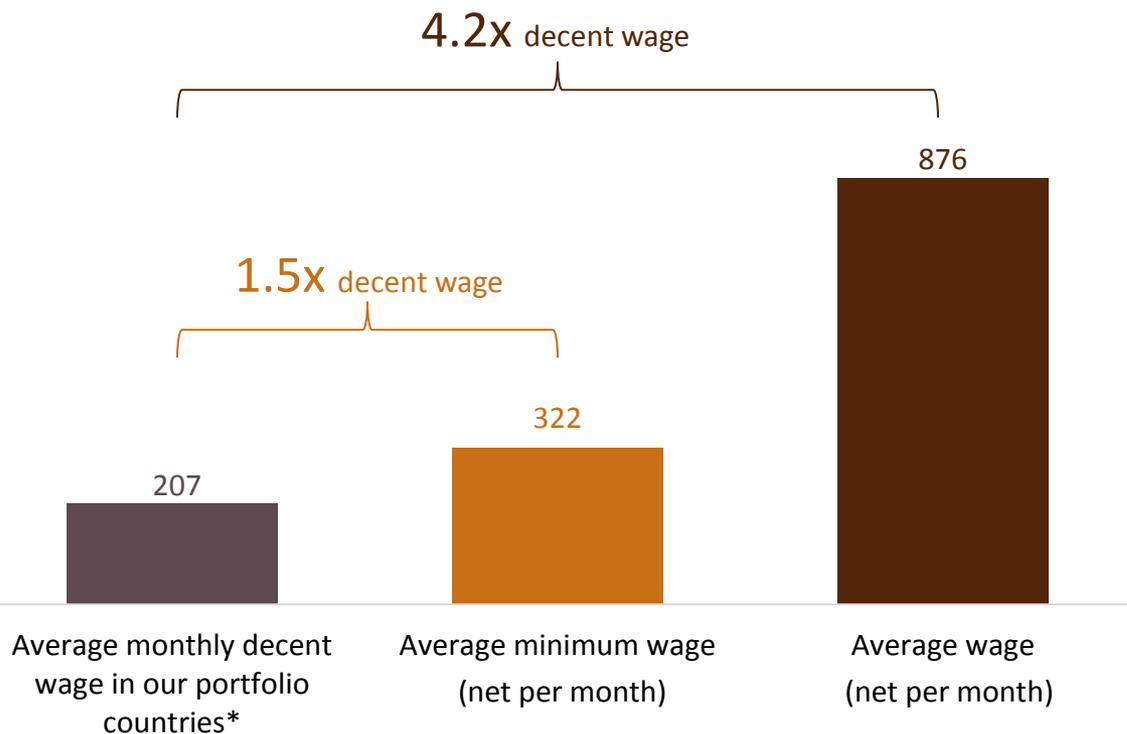
The McKinsey Global Institute states that 72 million new jobs are to be created in Africa by 2020, while 122 millions people are expected to enter the job market over the same period. (Africa at work: job creation and inclusive growth, 2012).

N.B. : For a better representativeness, these figures are based on all the companies we have invested in for over a year.

- Unsurprisingly, early stage companies (created less than 18 months before IPAE's investment) confirm their **strong job creation potential**.
- **Microfinance investments tend to create more jobs per €100 000 invested than the other sectors.** MFIs are job intensive but this can also be explained by their development stage (two of our MFIs are greenfield).

LEVEL OF WAGES (US\$, PPP)

A minimum wage 55% higher than the decent wage



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

(*) <http://fairwageguide.org/> provide the minimum income necessary for a worker to meet his needs that are considered to be basic.

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

€25.6
millions
of wages paid to
the employees
since 2012

€10.4
millions
of wages paid to
the employees in
2015



KEYNOTE

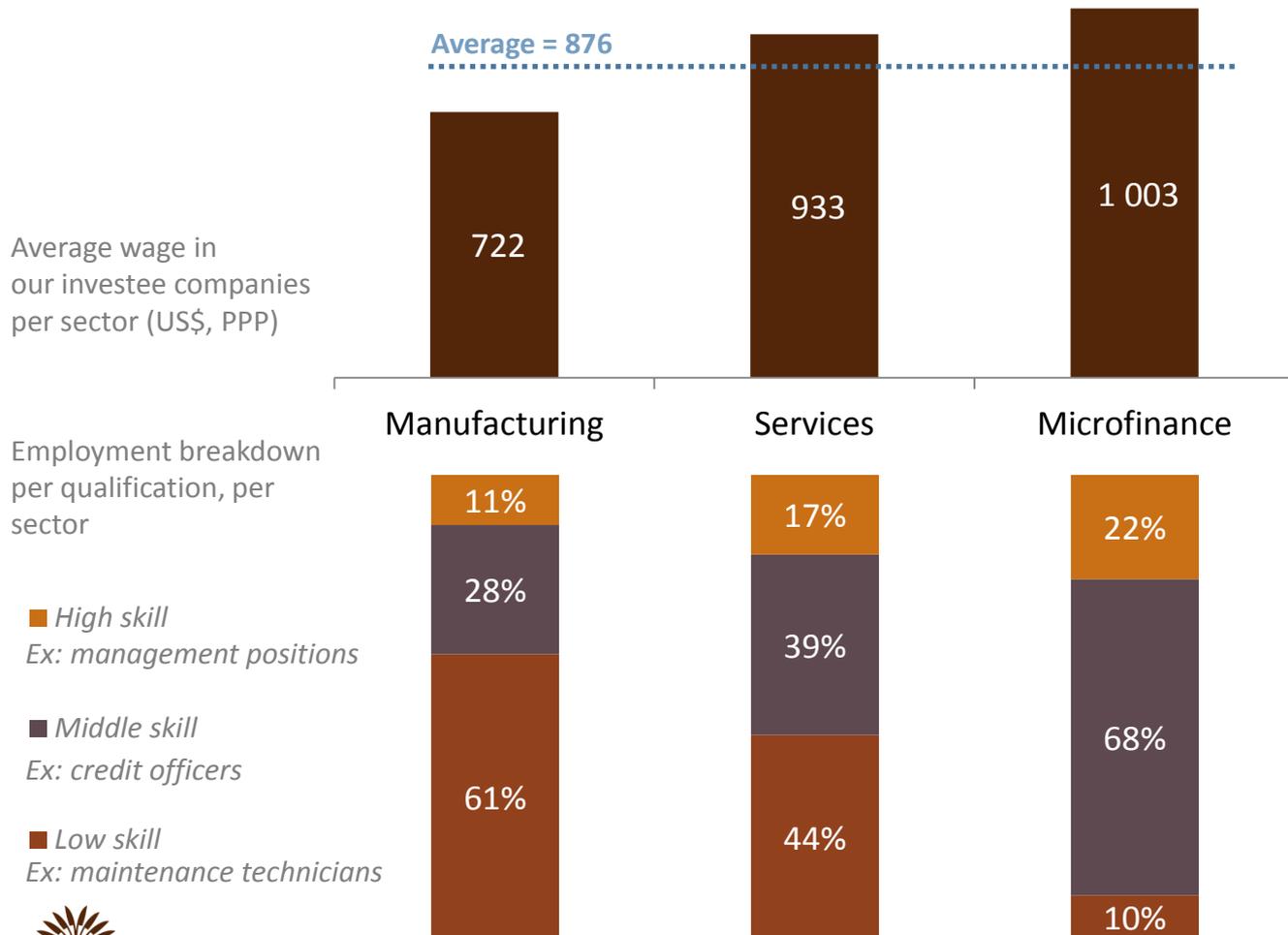
A study of Borat and al. (2015)**, based on ILO Global Wage database, states that the mean wage in 21 Sub-Saharan Africa economies is around 657 US\$, PPP. **The average wage in our investee companies is around 33% higher than the average wage in sub-Saharan Africa.**

\$657 Average wage in Sub-Saharan Africa

\$876 Average wage in our investee companies

WAGES AND QUALIFICATION

53% of medium-skilled employees



- **Microfinance sector** offers better average wages. This can be explained by the high proportion of medium-skilled jobs.



- **Manufacturing sector** offers lower wages because it accounts for a majority of low-skilled jobs. It provides low-income people without education with a decent and stable wage.

HUMAN RESOURCES & TRAINING

Towards improved and more formalized H&R practices

HUMAN RESOURCES

Two third of partner companies have formal H&R management, with all a potential for improving further their practices:

55%

have a staff in charge of HR

65%

have a formalized HR policy

70%

have a formalized salary grid

40%

have staff representation systems

50%

provide or ease access to employee loans

TRAINING

80% of our partner companies have done at least one training in 2015

€331 000

Of training budget In 2015

1 197

employees trained in 2015

Entrepreneurs' seminar on Corporate Social Responsibility towards employees and H&R management

The last annual training seminar for partner companies' founders or managers took place in October 2015 in Fontainebleau. This two days training session focused on human resources and social responsibility towards employees.

It was led by two Cameroonian consultants, who had carried out two consulting assignments in partner companies. This seminar was financed by the technical assistance budget provided by FISEA and the European Investment Bank.

Main topics raised :

- Business case for CSR
- Compliance with labour law
- Key drivers for staff motivation and commitment

Main improvements in the wake of this seminar :

- 3 companies have reviewed their workforce contracts, one of them after a social audit financed with technical assistance budget
- 3 companies are implementing staff representation systems
- One company is currently improving its salary grid
- One company has organized a team building seminar for its employees.



HEALTH INSURANCE & SOCIAL PROTECTION

Towards a universal social protection

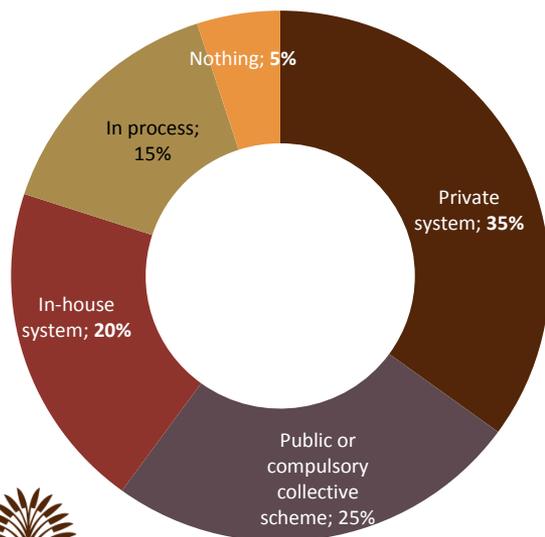


KEYNOTE

Only some of our countries of intervention have national schemes in place to provide basic health insurance for private sector employees (Mali, Madagascar, Senegal, Ghana and Gabon). Public systems provide low level of benefits (with the exception of Gabon).

80% Of our partner companies offers health insurance systems to their employees

40% Have implemented or upgraded their system since IPAE's investment



UPDATE ON I&P HEALTH INSURANCE INITIATIVE

FEASIBILITY STUDY

As part of I&P commitment to improve employees' health insurance coverage, a feasibility study has been completed in 2015. Financed and followed-up in cooperation with FISEA (PROPARCO), it was based on interviews with investees and review of similar initiatives.

KEY OUTCOMES

- Proposal for a minimum standard basis for health insurance systems
- Practical implementation tips for partner companies
- Selection of an insurance manager, based on a competitive bidding process, to follow-up health insurance statistics at the portfolio level

TRAINING

During the entrepreneurs' training seminar, the consultant provided training on health and death insurance and shared study's main findings.

NEXT STEPS

A TA program has been set up to help companies implement or improve health insurance systems on a case by case basis while exploring the development of shared actions at the portfolio level. **5 companies (25%)** are currently benefiting from this assistance.

HEALTH & SECURITY

Production-related risks and road safety under close scrutiny

Our follow-up of production-related risks :

- During the due diligence phase, impact assessments or technical audits are conducted for projects involving significant risk
- **75%** of ESG action plans include actions related to health and security at work

Road safety remains a major health and safety risk



KEYNOTE

The African region has the **highest road fatality rate of the world** (World Health Organization)

- **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
-
- We have drafted a **list of recommendations and best practices** to support better road safety in our partner companies.
 - These recommendations are intended to help partner companies:
 - Make a diagnostic of their current practices
 - Strengthen their practices:
 - Improve and formalize procedures shared with the entire staff
 - Support these procedures with concrete awareness-raising and control mechanisms
 - We regularly raise the road security issue during board meetings and other meetings with the management



MICROFINANCE

Access to financial services for 75 000 micro-entrepreneurs

5

Microfinance Institutions (MFIs) in our portfolio

75 000

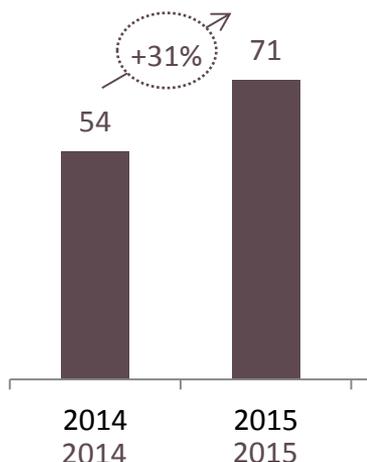
Borrowers in 2015 (+17% compared to 2014)

€950

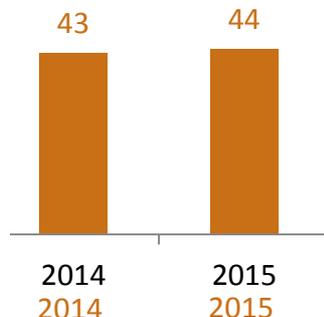
Average outstanding credit per borrower in 2015

51%

Borrowers were women in 2015



(€, million)



(€, million)

Social Performance Management

CUSTOMER PROTECTION PRINCIPLES

I&P and its portfolio MFIs are signatory of the SMART campaign, with some key achievements:

- Measures against over-indebtedness
- Transparency about lending conditions
- Complaint mechanisms

SOCIAL PERFORMANCE MANAGEMENT (SPM)

4 institutions have strengthened their SPM monitoring in 2015:

| | |
|-----------------|--|
| Oxus | Creation of an SPM committee Implementation of a 2 nd technical assistance mission: full assessment based on SPI4 tool (71/100), training of key staff, implementation of an SPM reporting |
| FTB | Appointment of an SPM « champion » Identification of performance goals and indicators |
| ACEP Madagascar | Appointment of an SPM coordinator Technical assistance mission in preparation |
| ACEP Burkina | Technical assistance mission in preparation |

RIPPLE EFFECT ON LOCAL SUPPLIERS

SMEs build local networks of subcontractors

SMEs tend to obtain their supplies locally. Agribusinesses, in particular, generate business and income for thousands of local farmers' income

705

Suppliers have contracted with IPAE's companies in 2015

71%

Of local suppliers in 2015



980 tons of fruits or vegetables collected in 2015 by SCRIMAD and Eden Tree



1 220 small producers reached in 2015 by SCRIMAD, Eden Tree and IOT

IPAE agribusiness investments play a key role in structuring local sectors. They rely on outgrowers schemes and provide local farmers with technical assistance and other inputs (financing, seeds, etc.). Three support programs are described below.

| | Activity | Main objectives of the support program | Budget | Impact indicators |
|--|--|--|--|---|
| Eden Tree (Ghana) | Provider of fresh fruits, vegetables and herbs in local supermarkets | Organizing farmers General technical support | US\$ 500 000 (Grant) | Target: 200 farmers organized and trained |
| SCRIMAD (Madagascar) | Exporter of fresh and processed fruits | General technical support Prepare an organic and fair trade labelling process | € 15 000 (TA budget) | 400 small holders trained Target: 30% of producers certified |
| Indian Ocean Trepanng (Madagascar) | Breeding and export of sea cucumbers | Supply local fishermen with juveniles Train them to grow the juveniles before selling and sell them back to IOT | Based on 3 local NGOs (own budgets) | 174 local fishermen supplied and trained |

FUNDRAISING AND FISCAL CONTRIBUTION

A leverage effect of €1.5 for each €1 invested

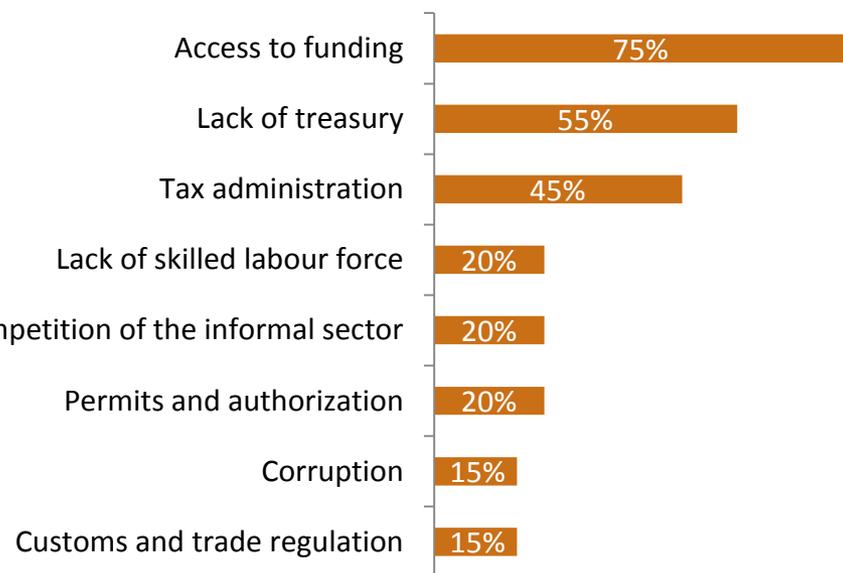
**€7.4
million**

Of taxes paid to the authorities since 2012

**€1.8
million**

Of net VAT paid to the authorities since 2012

Main obstacles faced by our investee companies during their development process



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

LEVERAGE EFFECT OF IPAE's investment

- SMEs face important difficulties to secure external financing from local commercial bank and other traditional financiers.
- We assist the partner companies in their negotiations with other local or international financial institutions or by participating in the search of new shareholders using our networks.



“In Central Africa at best the banks provide very short term financing. The presence of investment funds changes the game, especially in terms of cash management, because it provides the entrepreneur with enough security and visibility to implement medium term projects.”

Folly Koussawo, Trianon's entrepreneur, Gabon

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- ***Focus on women empowerment***

WOMEN EMPOWERMENT (1/2)

25% of companies led by women



KEYNOTE

The Sub-Saharan Africa region is one of the poorest performers in terms of gender equality. The gender gap in employment is particularly significant : 40% of women are jobless, against 28% of men (Social Institutions and Gender Index, SIGI).



OBJECTIVES

On a modest scale, we seek to address the **gender gap in the formal SME sector** in the region by improving women access to

- (i) Entrepreneurship and leadership positions,
- (ii) Decent jobs and training opportunities,
- (iii) Goods and services,
- (iv) Local SMEs value chains

1

WOMEN ACCESS TO ENTREPRENEURSHIP AND LEADERSHIP POSITIONS

We have started to work on a more proactive **development of our pipeline of women-led companies**. Our experience is that women ownership or management is usually correlated with other positive impacts for women at the employee, supplier or client levels. Sourcing efforts will include the following actions:

- Initiate or consolidate **partnerships with women's business associations and networks** in each country of intervention and at the African scale
- **Proactive sourcing of investment projects in sectors where women entrepreneurs are well represented** (agribusiness, health, business services, financial inclusion, for example)
- **Advocacy for women entrepreneurship**, as a priority of our advocacy policy

25%

of I&P partner companies are led by women



35%

of boards with at least one female member

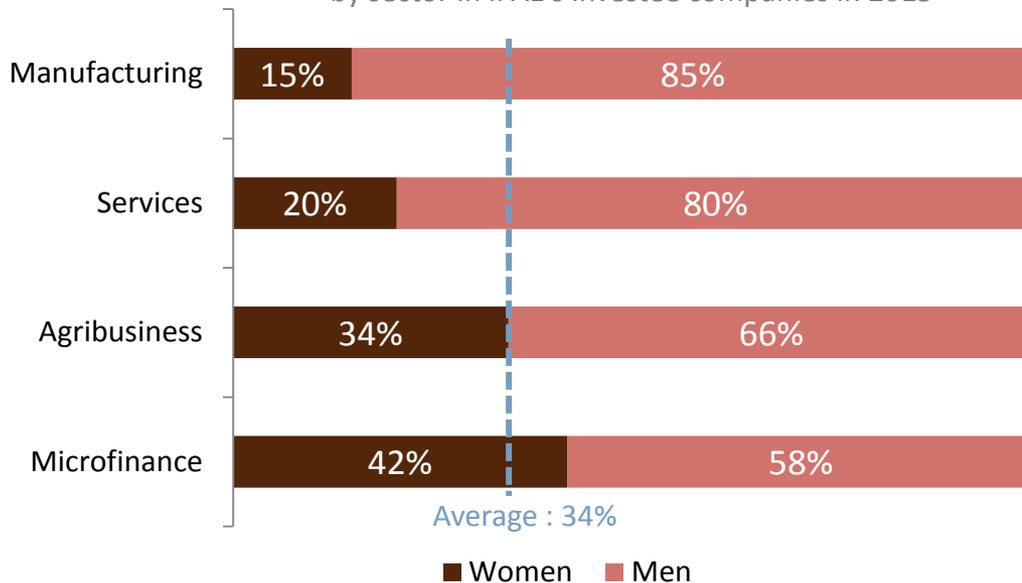
WOMEN EMPOWERMENT (2/2)

34% of the employees are women

2

WOMEN ACCESS TO DECENT JOBS AND TRAINING OPPORTUNITIES

Gender breakdown of employment,
by sector in IPAE's investee companies in 2015



734

Women are employed in IPAE investee companies in 2015

20%

of women employed occupied high-skilled jobs

€8.9 millions

have been paid to women employees since 2012 (35% of the total payroll)

In 2015, we have **raised the degree of gender analysis** in our ESG and impact tools:

- The **Impact Scorecard** used to screen investments now includes **gender-specific considerations**, such as the proportion of female employees in the staff and the women representation at senior management level.
- The **ESG due diligence questionnaire** includes more gender-related questions and highlights some key questions related to cross-gender issues but critical for women welfare such as: health insurance, compensation for maternity leave, working hours, etc.

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ADDRESSING AFRICAN ENVIRONMENTAL CHALLENGES

Our objectives and main fields of action

OUR ENVIRONMENTAL OBJECTIVES AND APPROACH

We seek to build a portfolio with an overall **positive contribution to African environmental challenges**:

- Investments with a positive impact on environment are part of our investment targets
- As far as possible, we are committed to mitigate potential negative impacts.

With respect to climate change, we seek to **reduce the portfolio carbon footprint**

- 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 carbon emissions on a yearly basis, to identify the main sources of reduction or offset. The **third carbon footprint assessment for 2015** is available on next pages
- We are implementing specific and systematic actions to **promote energy efficiency and renewable energy** in our investee companies
- Environmental criteria are part of our **screening and monitoring processes**

More information on next pages

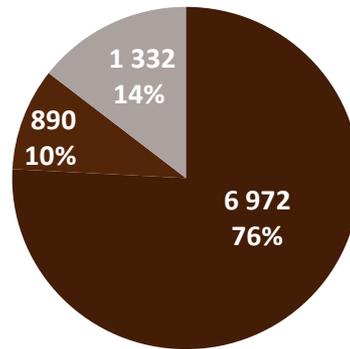
ASSESSING THE PORTFOLIO CARBON FOOTPRINT

Carbon emissions per scope and category

GHG emissions per scope in 2015

Total: 9 194 tCO₂eq

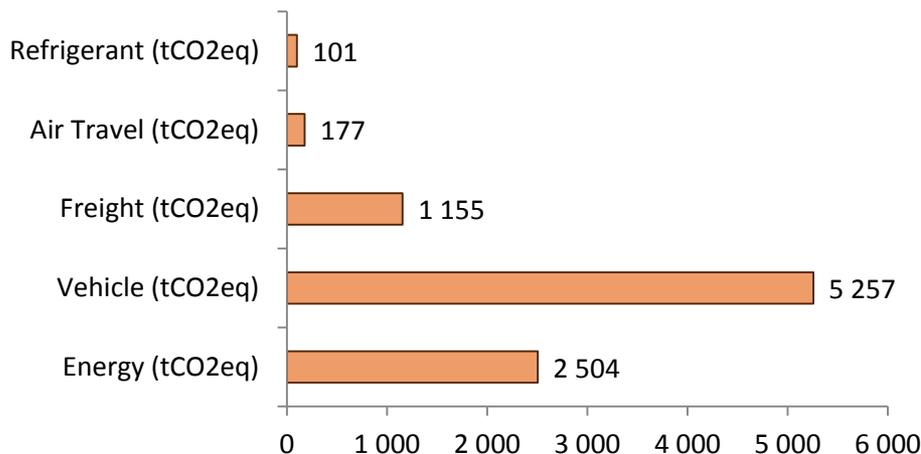
A **carbon footprint** is measured in **tons of carbon dioxide equivalent (tCO₂e)**. The carbon dioxide equivalent allows the different greenhouse gases (GHG) to be compared on a like-for-like basis relative to one unit of CO₂



- Total 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 2015



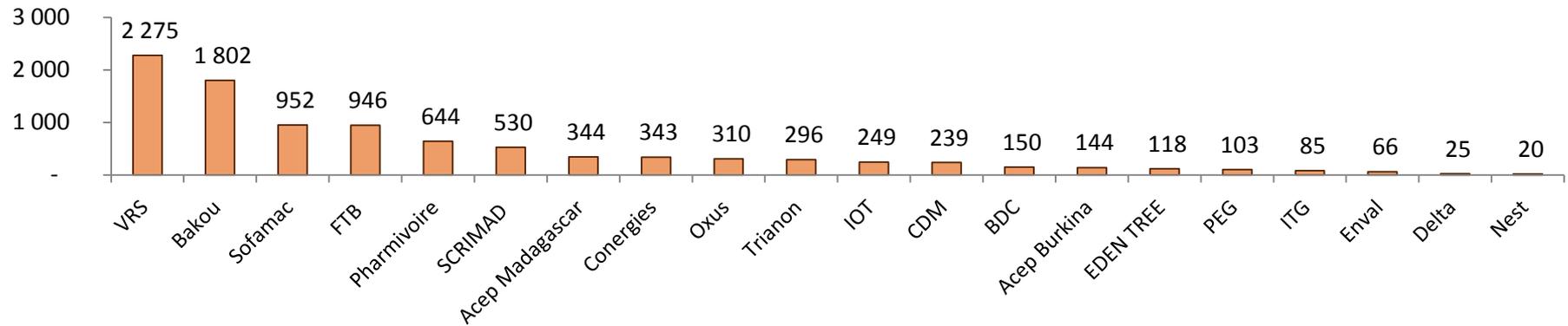
Largest sources of emissions are:

- **57% result from vehicles:** those direct emissions stem from company-owned vehicles, 77% resulting from two transportation companies (VRS and Bakou)
- **27% result form energy:** some companies need energy to run their factory (SOFAMAC, Pharmivoire, SCRIMAD) or for their offices (FTB).
- **6% result from freight** (ship, air or road transport for equipment or goods)

ASSESSING THE PORTFOLIO CARBON FOOTPRINT

Carbon emissions per company

GHG emissions per company in 2015:



Largest emitters are:

- Unsurprisingly, **two transportation companies** (Bakou and VRS) are the largest emitters, representing more than 40% of the total portfolio emissions. In VRS case (car rental service), this impact is however indirect, depending on clients' use of the service.
- **Industrial companies** (SOFAMAC, Pharmivoire, SCRIMAD) are involved in energy consuming activities, with above portfolio average carbon emissions.
- **Microfinance:** with numerous branches and vehicles, MFIs are larger emitters than it can be assumed.

I&P is facing difficulties to account for air conditioning/refrigerants related GHG emissions. For FTB and Nest, data is partly based on 2014 due to data collecting challenges.

REDUCING THE PORTFOLIO CARBON FOOTPRINT

Update on energy-related actions

25%

Of our partner companies promoted specific actions with regard to carbon footprint reduction.

35%

Of our partner companies using renewable energy in their mix



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).

Activity

Examples of energy-related actions

| | Activity | Examples of energy-related actions |
|-----------------------------------|--|--|
| Pharmivoire (Ivory Coast) | Production of intraveinuous fluids | Energy saving system for the boiler ordered after a technical assistance mission conducted by energy efficiency experts from Kerdos |
| SOFAMAC (Senegal) | Production of construction materials | The boiler is supplied with peanut shells, which represent 60% of the factory total energy consumption |
| Indian Ocean Trepang (Madagascar) | Breeding and export of sea cucumbers | 66 solar panels and 15 solar boilers are now in operation, halving energy costs and reducing by 32% the company carbon footprint in 2015. They represent 40% of the total energy mix. |
| SCRIMAD (Madagascar) | Exporter of fresh and processed fruits | Technical assistance mission on the potential for energy efficiency and renewable energy. Potential for biogas production not confirmed. Disappointing results with other energy related proposals coming too late in the process. |
| Eden Tree (Ghana) | Provider of fresh fruits, vegetables and herbs | Biogaz production with a composter |

ADDRESSING OTHER ENVIRONMENTAL CHALLENGES

Update on waste and water management

30% OF PARTNER COMPANIES WITH PRODUCTS & SERVICES INVOLVING POSITIVE IMPACTS ON ENVIRONMENT

Environmental criteria are an integral part of our screening process. Among partner companies, **seven companies** directly address environmental challenges with their activity:

- **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 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 analyses
 - PEG - solar systems for rural households
- **In aquaculture**, IOT's innovative project in the sea cucumbers breeding in Madagascar reintroduces sea cucumbers, overexploited albeit useful to local eco-systems.



40% OF PARTNER COMPANIES WITH WASTE, WASTE WATER OR EFFLUENT MANAGEMENT ISSUE

Among partner companies faced with waste, waste water or effluent management issues:

- 5 are involved in an extractive and/or industrial activity (Pharmivoire, SOFAMAC, CDM, Eden Tree, IOT and SCRIMAD). Environmental impact assessments have been carried out in all of these companies and include specifications about waste and effluent treatment, included in ESG action plans.
- 3 are involved in services and generate small quantities of waste but with a specific treatment issue:
 - Nest – biomedical waste currently incinerated in another private clinic
 - PEG – recycling of used batteries under study
 - Enval – treatment system for laboratory analyses' waste

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FOSTERING GOOD GOVERNANCE

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FOSTERING GOOD GOVERNANCE (1/2)

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



KEYNOTE

As stated in I&P handbook on «Investing in Africa's Small and Growing Businesses, few SME entrepreneurs are implementing satisfactory governance and management standards. Even when a formal governance is set up, the nature of the shareholding (often a sole shareholder, or friends and family) often deprives this governance of the necessary discipline, checks and balances required to be truly effective.



OUR APPROACH

Our contribution to good governance practices is threefold:

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

1

IMPLEMENTATION OF A SHARED GOVERNANCE

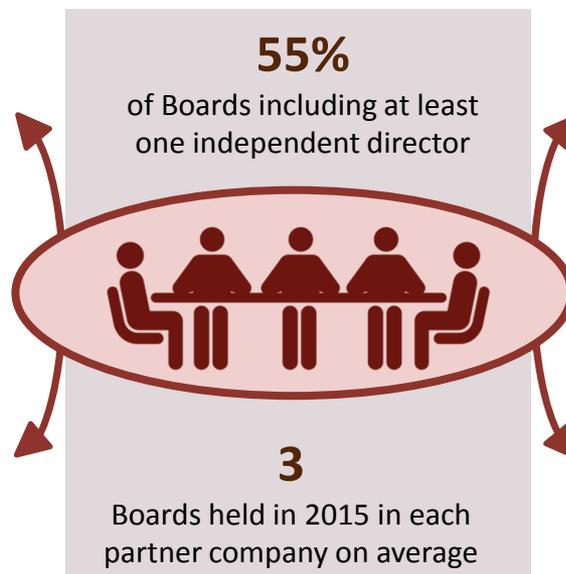
IPAE requires the setting up of a board of directors to manage the company in a concerted manner. Board members include:

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. It also improves the credibility of their business vis-à-vis external partners.

One or two independent director(s)

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



One or two representatives of IPAE

members of the investment or strategic advisors' teams. It is part of the I&P 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 (2/2)

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 needs to be upgraded, to enable both management and shareholders to adequately track the company's performance.

50%

of ESG action plans including actions to improve accounting practices

OUR ACTIONS

Audited accounts

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

Training seminars

In 2013 and 2014, the entrepreneurs training seminars were respectively focused on financial management and management information systems.

Technical assistance

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

6

Companies with TA missions focused on financial or fiscal management

9

Companies with TA missions focused on management information systems (MIS)

3

ZERO TOLERANCE POLICY AGAINST 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.

For more
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