I&P’s Sustainability Policy

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1. Summary

Investisseurs & Partenaires's (I&P) mission is to contribute to the rise of a sustainable and dynamic private sector in Sub-Saharan Africa. Since the beginning, I&P has aimed to support African entrepreneurs, able to build profitable and sustainable activities with high local added value. I&P characteristic is to target the "missing middle" of the African economic fabric: small and medium-sized enterprises with financing needs ranging from a few thousand euros to € 5 million and with a deeper focus on francophone Sub-Saharan Africa where funding solutions for SMEs are too poor or almost non-existent. I&P has developed a specific investment approach adapted to these targets, combining financial tools and strategic/operational support.

I&P ambition is to promote local entrepreneurship to foster inclusive growth and stability in West Africa and Indian Ocean least developed countries.

Specifically, the main impact objectives pursued at the fund levels are:

- **Developing local entrepreneurship** to foster inclusive growth and stability in West Africa and Indian Ocean, especially in least developed countries.
- **Creating decent jobs** that allow people to live with dignity, and strengthening access to health insurance and safety at work
- **Strengthen the resilience of the African continent** by promoting self-reliance through local production and by meeting essential goods and services related to the SDGs
- **Supporting women empowerment** within the different stakeholders and layers of the company
- **Fighting against climate change** by supporting environmentally-friendly development

2. Description of the principal adverse impacts on sustainability factors

Sustainability risk is defined as an environmental, social or governance event or situation that, if it occurs, could have a negative impact on the or situation in the environmental, social or governance field that, if it occurs, could have a significant or potential negative impact on the value of the investment.

I&P considers principal adverse impacts of its investment decisions on sustainability factors. As an integral part of the investment assessment, the investment team conducts an in-depth analysis of ESG-related matters based on field visits to the company head office and branches and meetings with management and other stakeholders. This review is based on IFC Performance Standards (PS).

Although I&P does not have more than 500 employees on average over the financial year (the threshold for the mandatory application of Article 4 of the SFDR Regulation), it aims to systematically consider and measure the main negative impacts of its investment decisions on sustainability factors. Nevertheless, I&P is currently in the process of aligning its methods and tools with the consideration of negative sustainability impacts in its investment decisions and organization in accordance with the specific requirements of the SFDR regulation.

2.1. Social risks

Social risks are defined as the risks of loss of value of the portfolio or holding related to social issues such as employee remuneration, working conditions, safety of employees, recruitment policies, diversity, etc. They can be reputational or operational if, for example They can be reputational or operational if, for example, employees decide to abandon their jobs or go on strike. They can also hamper social dialogue and human capital development. social dialogue and human capital development, or the management and materiality of social and/or social and/or societal controversies. I&P also pays close attention to these issues, which are considered fundamental pillars for the sustainable development of an organization, convinced that the development of human capital in all its aspects is a creator of value. Several social risks are analyzed during the ESG Due Diligence, including:

- **Labor and working conditions and social risk management (PS 1 & 2)**: compliance with all relevant local labor laws, standards and regulations, child labor, working hours, minimum wages, discrimination, employee representation, human resources management, supply chain. A specific attention is paid to **health and safety at work**: compliance with all relevant local health and safety laws, standards and regulation, risk management, record of incidents, social and health services, retrenchment plans and other points when applicable
- **Community health, safety and security (PS 4)**: management of the following risks: worksite accidents, hazardous materials, spread of diseases, health hazard on products (especially for food industry) or interactions with private security personnel
- **Land acquisition and involuntary resettlement (PS 5)**: risk of physical and/or economic displacement and alternative options, community engagement and mitigation measures.
- **Indigenous people and cultural heritage (PS 7 & 8)**: avoidance of adverse impacts on indigenous people and cultural heritage.

2.2. Environmental risks

Environmental risks are defined as the risks of loss of value of the portfolio or holding related to environmental issues of the portfolio due to environmental issues such as the consequences of global warming pollution, decline in biodiversity, etc. Several environmental risks are analyzed during the ESG Due Diligence, including:

- **Compliance and risk management (PS 1):** compliance with relevant local environmental laws, standards and regulations, environmental risk management, record of incidents
- **Resource efficiency and pollution prevention (PS 3):** effluents management, energy management, climate change**,** waste management, water use, international certification, biodiversity, land clearance and other points when applicable.
- **Biodiversity conservation and sustainable management of living natural resources (PS 6):** impact on biodiversity involved by the company's activities or associated with the supply chain, land clearance, specific issues regarding legally protected areas.

2.3. Governance risks

Governance issues are key to the analysis and identification of sustainability risks. A good governance not only protects against direct risks but also limits exposure to other sustainability risks indirectly. Among the many topics that are looked at, particular attention is paid to:

- Country corruption situation,
- Sector characteristics and contracts obtaining,
- Financial statements (quality, compliance with fiscal law),
- Structuring of the company governance (decision-making bodies, minutes, etc.)

3. Description of policy for integrating sustainability risks into investment processes

I&P has designed a unique method of analysis and monitoring of environmental, social and governance dimensions which places ESG factors at the core of its partner companies' development strategy, considering these factors as powerful performance levers integrated into daily business practices.

I&P's practical ESG tool follows the whole investment process, from the due diligence phase to the exit, with monitoring based on a prioritized action plan and a defined timeframe. This tool is structured to cover **IFC's Performance Standards to ensure that the various principles are respected or that mitigation action will be taken if necessary.**

First, I&P is not allowed to invest in projects considered to have high ESG risk and has an exclusion list (see appendix 1).

Once assured that the project is not on the exclusion list and is not classified as high risk, then the investment team will use the ESG tool developed by I&P to track ESG issues from screening to exit. A first ESG assessment is done on each potential investment before passing it in the screening committee. This provides an opportunity to discuss the main potential risks identified during the selection committee and to consider the priority areas to be checked during the due diligence.

If the project is open and passes the selection committee, it will then be subject to ESG due diligence. For this, the investment team will complete a checklist based on the IFC performance standards. For all project rated with a medium or high E&S risk, an external audit will be done as a pre-investment assessment.

Following the ESG Due Diligence, **an ESG action plan will be implemented to mitigate the identified risks and take the necessary corrective measures** to enable the company to progressively align with the IFC performance standards and international best practice.

I&P's **ESG & Impact Reporting** is conceived as a comprehensive review of the investment vehicles' societal strategy and is published annually[1]. The document presents the methodology of ESG policy and impact measurement and examines the main results and achievements of partner companies over the year.

[1] https://www.ietp.com/en/node/1811/#impact-reports

4. Engagement policies

I&P is an impact investor that supports African SMEs through the acquisition of minority stakes. I&P has a policy of actively monitoring its investments. I&P teams systematically take a position on the Board and play an active and vigilant shareholder role alongside the managers, in the management of the companies and the definition and implementation of the strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance. I&P brings both financial and human capital to portfolio companies by helping them scale up. When exercising voting rights on the Board, I&P takes into account ESG issues related to the activities of the companies in question to assess the quality of management. In terms of ESG, I&P includes a clause in shareholder agreements that sets out the obligations of companies, including the definition of an ESG and Impact Action Plan that includes measures to mitigate identified negative risks but also to increase the positive impacts of the company.

5. References to international standards

I&P's practical ESG tool follows the whole investment process, from the due diligence phase to the exit, with monitoring based on a prioritized action plan and a defined timeframe. This tool is structured to cover **IFC's Performance Standards to ensure that the various principles are respected or that mitigation action will be taken if necessary.**

I&P's ESG & Impact Management system, which promotes best practices and pioneering approaches has been recognized by I&P peers and current investors:

- **I&P ESG methodology received an "A+"** (on a scale of A to D) for its overarching approach and an "A" for the private equity module in 2020 by **the United Nations Principles for Responsible Investment (PRI)**[2].
- I&P was awarded at the **"ESG Best Practices Honors",** organized by SWEN Capital Partners in 2020 and receives the Special Jury Prize, "for a longstanding impact approach that stands among the best market standards and support for entrepreneurship in Africa".
- I&P's impact management system was chosen as a case study to represent the French committee for the G8 Impact Measurement Working Group (2014) and by the European Venture Philanthropy Association as an in-depth case study to illustrate the impact measurement reference guide[3].
- I&P has adopted the **Operating Principles for Impact Management (OPIM)**, a market standard launched by the International Finance Corporation (IFC) for impact investing in which investors seek to generate positive impact for society alongside financial returns in a disciplined and transparent way.

[2] https://www.unpri.org/

[3] http://evpa.eu.com/publication/impact-measurement-practice-depth-case-studies

- I&P has been selected as an Emeritus Impact Manager for the **ImpactAssets 50**™ 2023 (IA 50). The IA 50 Emeritus category recognizes impact fund managers who have been on the IA 50 for at least five years.

6. Transparency of remuneration policies in relation to the integration of sustainability risks

I&P is a French investment advisor and management company, which advises or manages investment vehicles incorporated in Mauritius.

I&P is committed to acting honestly, fairly and professionally in the best interests of its Investors.

In accordance with the AIFM Directive and the Disclosure Regulation, this compensation policy sets out the principles that apply to I&P and which, in accordance with its strategy, objectives and risk policy, are designed to promote sound and effective risk management and not to encourage excessive risk-taking that is inconsistent with the risk profiles and governing documents of the funds managed or advised by I&P, and to align the long-term interests of its shareholders, clients/potential investors and employees. This policy is consistent with the objectives and interests of the investors of the investment vehicles, FIAs managed or advised in order to avoid conflicts of interest.

I&P adopts a performance-based approach to compensation that values the achievements, experience and key competencies of its employees.

This remuneration policy applies to: all forms of payments or benefits paid by I&P, all amounts paid by the investment vehicles themselves (except reimbursement of costs and expenses), including for investment funds all performance fees paid directly or indirectly to the categories of staff concerned. The following are excluded from the compensation covered by this compensation policy: ancillary benefits that are part of a general, non-discretionary policy and that have no incentive effect on risk management, dividends paid by partners to employees who are shareholders in these entities. This compensation policy is integrated with the risk policies implemented within I&P and with the internal procedure for the prevention of conflicts of interest.

The main specificities of I&P's remuneration policy are the following:

- Application of the proportionality principle considering the size of I&P, the size of the investment vehicles advised or managed, its internal organization and the nature, scope, and complexity of its activities
- Consistency of the remuneration system with the objectives set out in the AIFM's strategy, based on:
    - a proper balance between fixed and variable remuneration
    - the measurement of the performance of the staff members, which includes ESG objectives
- When applicable, entitlement to carried interest or performance-linked remuneration from the AIFs, either directly or through additional remuneration returned from I&P, may be granted to entitled staff and is structured according to a distribution policy similar to those generally used in the private equity industry.

APPENDIX 1: EXCLUSION LIST

The Exclusion List defines the types of projects that I&P will not finance:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase outs bans, such as hazardous pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances, PCBs, wildlife, or products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora.
- Production of or trade in pharmaceuticals, chemical compounds, and other harmful substances subject to international phase-outs or bans, including pesticides classified as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous);
- Production of or trade in ozone-depleting substances subject to international phaseout. *As determined in the Montreal Protocol.*
- Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs.
- Production or trade in weapons and munitions, military/police equipment, infrastructure, or correctional facilities.
- Pornography and/or prostitution.
- Racist and/or anti-democratic media and/or neo-Nazi media.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations.
- Production or activities. involving harmful or exploitative forms of forced labor/harmful child labor.
- Commercial concessions over, and logging operations for use in primary tropical moist/natural forest. Conversion of natural forest to a plantation
- Purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to clear cutting and/or degradation of tropical natural forests or high nature value forest.
- Destruction of Critical Habitats or High Conservation Value areas
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples (as defined in Standard 7 of the IFC Performance Standards), without full documented consent of such peoples.
- In addition to the above, the financing of projects is excluded, when the following activities form a substantial part of a project sponsor's primary operations or those of the project:

- Production or trade in (>5-10 % of the balance sheet, sales revenues, or the financed volume):
    - tobacco;
    - hard liquor (being alcoholic beverages other than beer and wine); or
    - gambling, casinos, and equivalent enterprises and or hotels hosting such facilities
- Live animals for scientific and experimental purposes, including the breeding of these animals.
- Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- Projects which have the effect of limiting people's individual rights and freedoms or violating their human rights.
- Production, use, trade, or distribution of GMO (genetically modified organism) seeds or transgenic horticultural crops
- New palm oil plantations.