



I&P Afrique Entrepreneurs

ANNUAL ESG AND IMPACT REPORT – EXECUTIVE SUMMARY

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 et
Partenaires*

A NEW GENERATION OF 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

LE CLUB AFRICAIN DES ENTREPRENEURS

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 pan African 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)

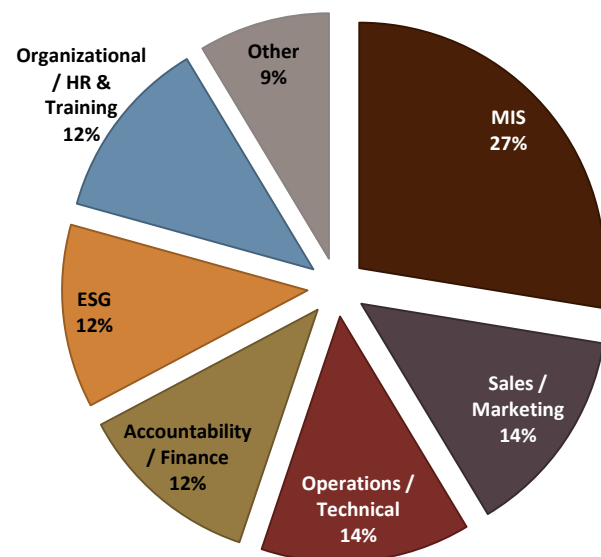


Vice-Treasurer: Catherine Krobo Edusei (Eden Tree), Ghana)

SUPPORTED BY TECHNICAL ASSISTANCE

IPAE builds strong partnerships with its investee companies by providing them 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 I&P 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 PROPARGO, aims to support economic growth and reduce poverty in Sub-Saharan Africa.



Main Figures



TA Program started in **2012**

60

Missions have been conducted

53

Outside experts including **40%** of African experts

90%

Of positive entrepreneur's feedback on missions (satisfied or very satisfied)



A total budget of **600 k€** for an average amount of **10k€** per mission has been spent



20 entrepreneurs benefited from this program

MEETING AFRICAN NEEDS

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**.

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/ day

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 9 : Build resilient infrastructure, promote inclusive and sustainable industrialization

- **SOFAMAC and CDM** : building material industries
- **Microfinance (5 institutions)** : access to micro-loans



75 000

Small borrowers in 2015

70%

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

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 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

FOSTERING GOOD GOVERNANCE

1

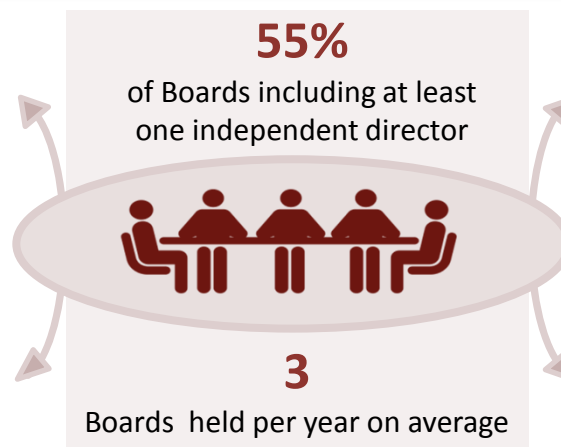
A SHARED GOVERNANCE WITH A DIVERSITY OF BOARD MEMBERS

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

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.

Other minority shareholders

might be represented in some cases.

2

UPGRADING OF ACCOUNTING AND REPORTING PRACTICES

OUR CONTEXT : financial and accounting practices generally needs to be upgraded, to enable both management and shareholders to adequately track the company's performance.

OUR ACTIONS : we require that annual accounts be audited by statutory auditors, to ensure **reliable accounting and fiscal practices**, and we often provide trainings and technical assistance to enhance day-to-day financial management.

3

ZERO TOLERANCE POLICY AGAINST FRAUD AND CORRUPTION

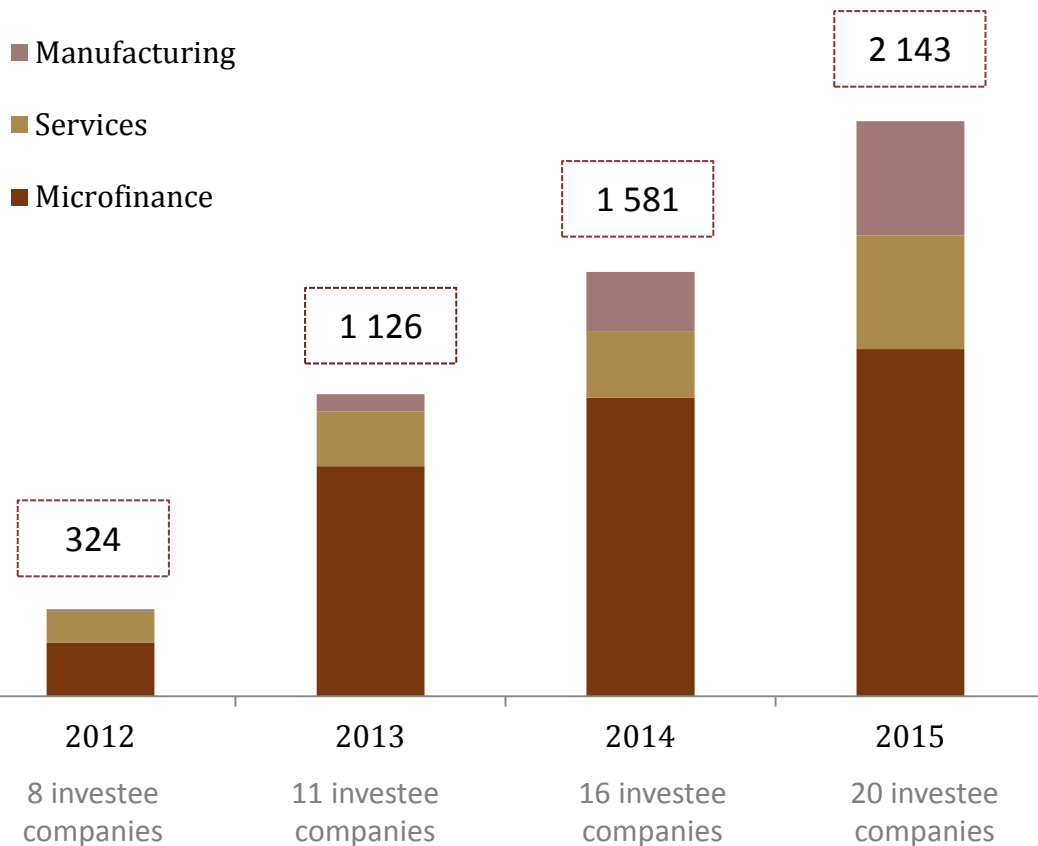
Good governance involves impeccable integrity at all levels of the company. No matter how complex the situation, I&P will not tolerate corruption, fiscal fraud or other bad practices, even if it means giving up an investment opportunity.

€7.4
million

Of taxes paid to the
authorities
since 2012

CREATING JOBS AT A FAST PACE

Twice more employees 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

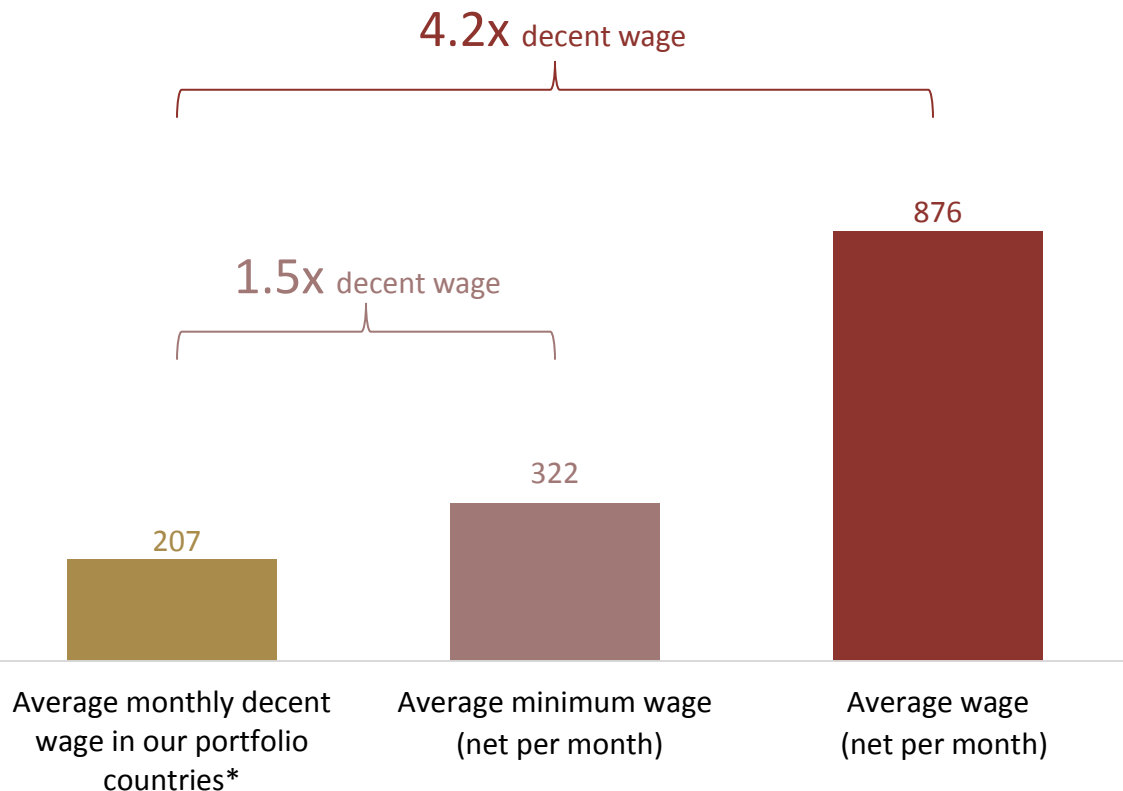
57
employees per
company before
IPAE's investment

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

PROVIDING DECENT WAGES & TRAININGS



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.

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

TRAINING

80%

of our partner companies have provided at least one training in 2015

€331 000

Of training budget
In 2015

1 197

employees
trained in 2015



KEYNOTE

A study of Bhorat 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

GRADUALLY IMPROVING SOCIAL PROTECTION



KEYNOTE

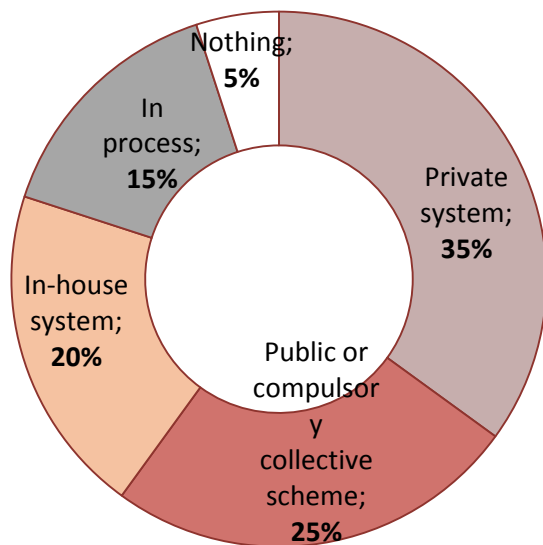
Only some of our countries of intervention have national schemes in place to provide basic health insurance for private sector employees (Mali, Madagascar, Senegal, Ghana and Gabon). Public systems provide low level of benefits (with the exception of Gabon).

80%

Of our partner companies offers health insurance systems to their employees

40%

Have implemented or upgraded their system since IPAE's investment



I&P HEALTH INSURANCE INITIATIVE

FEASIBILITY STUDY

As part of I&P commitment to social protection in partner companies, a feasibility study has been completed in 2015 to examine possible improvements at both investee and portfolio level. Financed by 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

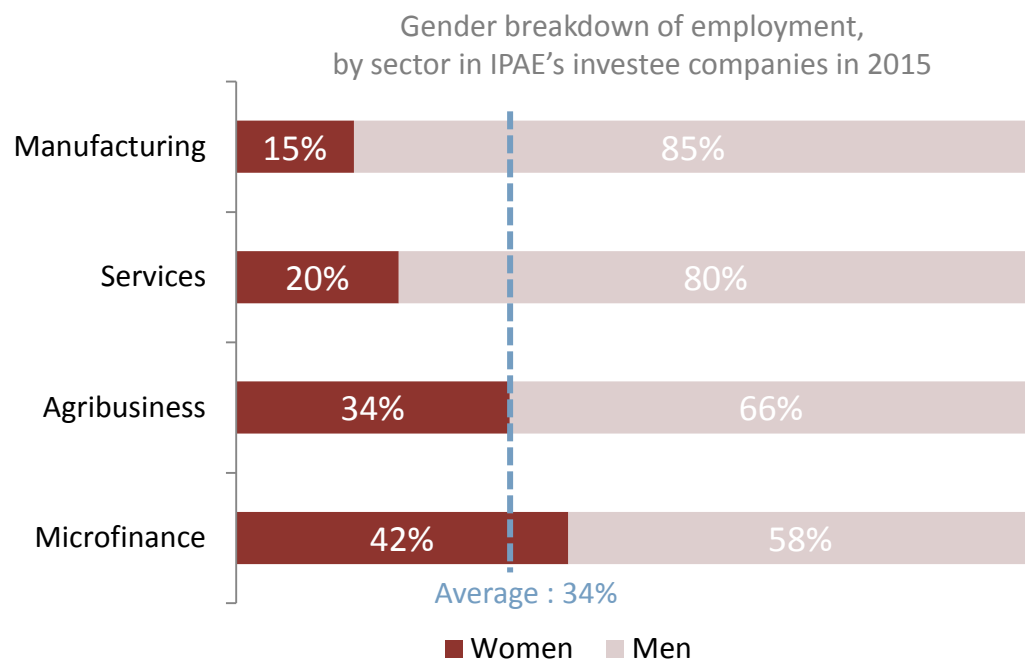
During the last entrepreneurs' training seminar, the consultant provided training on health and death insurance and shared study's main findings with entrepreneurs.

NEXT STEPS

A 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. **25% of investees** are benefiting from this practical assistance.

EMPOWERING WOMEN

34% of the employees are women



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)

Gender analysis is included in our ESG and impact tools:

- The **Impact Scorecard** used to screen investments 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 specific 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.

BUILDING NETWORKS OF LOCAL SUPPLIERS

Partner companies rely on local suppliers mainly
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 Trepang (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

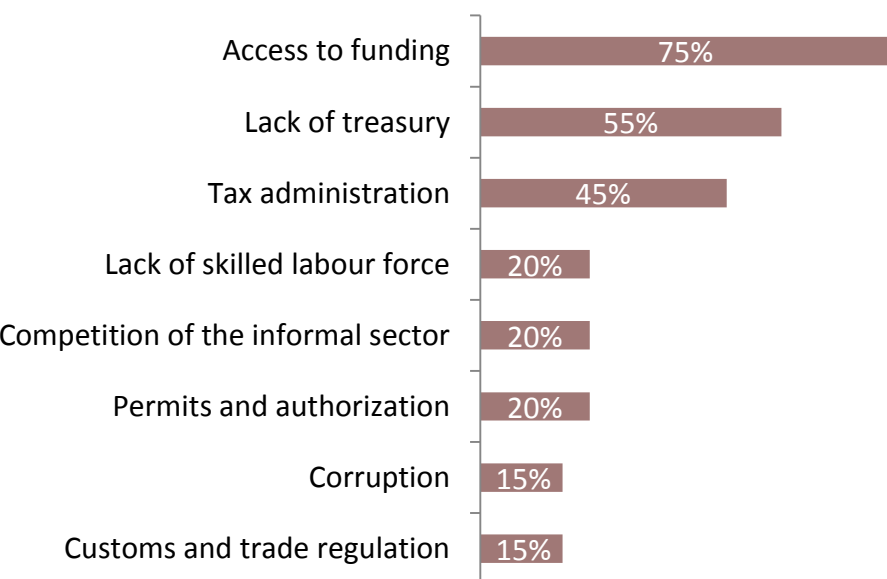
PLAYING A CATALYTIC ROLE IN FINANCING



“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

Main obstacles faced by our investee companies during their development process



LEVERAGE EFFECT OF IPAE'S INVESTMENT

- SMEs face important difficulties to secure external financing from local commercial bank and other traditional financiers.
- In a context of low access to funding for SMEs, IPAE's leverage effect is explained by:
 - Stronger equity base providing an easier access to bank credit
 - Development of rigorous financial projections
 - I&P credibility and networks among local and international financial investors (banks, companies, investment funds, etc.)



* 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).

ADDRESSING ENVIRONMENTAL CHALLENGES

We seek to build portfolios with a **positive contribution to African environmental challenges**:

PROMOTE ENVIRONMENTAL OPPORTUNITIES

30%

of IPAE partner companies provide products & services involving positive impacts on environment



FOCUS ON IPAE POSITIVE CONTRIBUTIONS

- **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 natural stocks of sea cucumbers, overexploited albeit very useful to local eco-systems.

MITIGATE POTENTIAL NEGATIVE IMPACTS

REDUCING THE PORTFOLIO CARBON FOOTPRINT

OUR APPROACH

- 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.
- We are implementing specific and systematic actions to **promote energy efficiency and renewable energy**

MANAGING WASTE AND EFFLUENT ISSUES

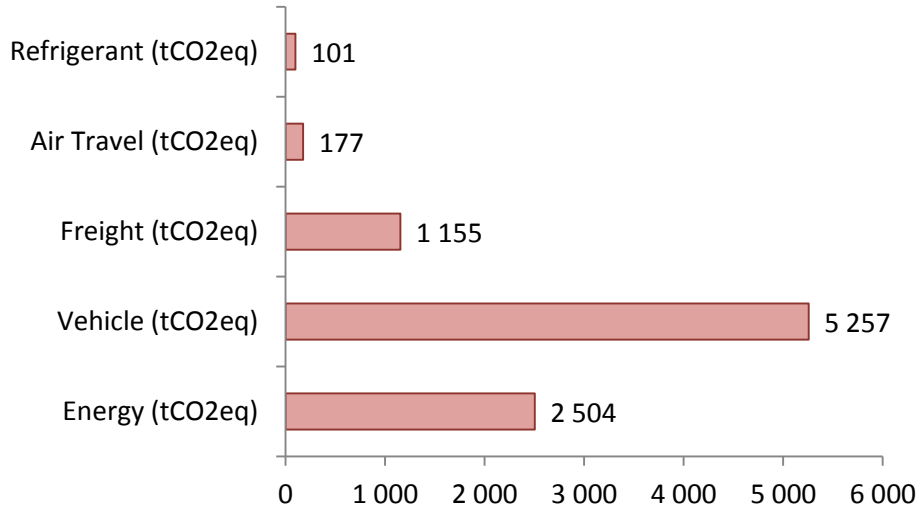
40%

of partner companies are faced with solid waste, waste water or effluent management issues:

Environmental impact assessments are carried out and include specifications about waste and effluent management, included in ESG action plans.

FOCUS ON THE PORTFOLIO CARBON FOOTPRINT

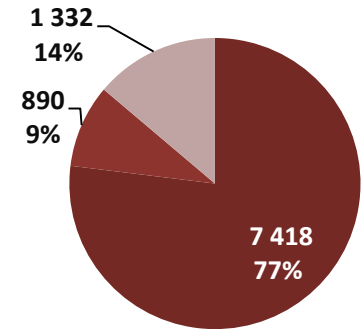
GHG emissions per category in 2015



GHG emissions per scope in 2015

Total: 9 640 tCO2eq

- Total GES Scope 1
- Total GES Scope 2
- Total GES Scope 3



A carbon footprint is measured in tons of carbon dioxide equivalent (tCO2e).

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, outsourced upstream and downstream transport of goods, etc...)

MAIN SOURCES OF CARBON EMISSIONS

- 57% result from company-owned vehicles**, and are mainly linked to two transportation companies
- 27% result from energy**, mainly from industrial companies
- 6% result from freight** (ship, air or road transport for equipment or goods)

OUR ACTIONS

- For energy consuming projects, **energy screenings** are now systematic and need to be carried out as early as possible in the investment process
- Whenever appropriate and feasible, we encourage carbon offset mechanism

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

For more
information:
www.ietp.com



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