



I&P Afrique Entrepreneurs 2

ANNUAL ESG AND IMPACT REPORT

MARCH 2020

EDITO

The crisis the world is facing due to the Covid-19 pandemic is unprecedented. As an impact investor, I&P is not only strongly committed to its partner companies, but also using any mean available to contribute to the common good. This is why we of course have stand at the side of our partners, putting people at the forefront of our agenda, and trying to advise them in the best possible way, working with them to reduce health risks among their employees, their families, and their stakeholders, supporting them in adapting their business models and helping them mobilizing financial resources to solve liquidity problems when they arise. We hope to achieve good results at all levels, but only through intense commitment of our teams in the field.

Now is the time to additional action, not only to address this emergency, but also to begin building tomorrow's African economy. The world we know will undoubtedly be partly transformed, emerging from the crisis with shorter value chains, greater emphasis on the health and epidemic issues, and deeper environmental concerns. All of this in a continent where youth and population growth will remain the hallmark. IPAE2 is fully committed to taking up its part addressing these challenges

2019 has been a proactive year for IPAE2 we have made three new investments from various sectors and the final closing in October, allowing IPAE2 to surpass its target size by reaching more than 92M euros. Despite the crisis and obstacles that are currently facing our Investment team, we are willing to maintain the current rhythm of investment and to keep fulfilling our mission.

Jean-Michel SEVERINO

CEO of Investisseurs & Partenaires



A WORD FROM THE TEAM

ESG issues are a growing concern for African economies. Especially with the advent of social networks and media where reputational risks can threaten a company's survival. However, **ESG is not limited to mitigating negative risks. It is also about seizing opportunities for impact.**

I&P teams, alongside the entrepreneur, identify these opportunities and assess which ones can be seized, what are the impacts and benefits both for the beneficiaries but also for the company.

The actions chosen may simply be to set up complementary health insurance with the recognized benefits on motivation and absenteeism rates, in addition to access to care. Or to choose to employ, even temporarily, several people rather than renting a bulldozer to dig livestock ponds in the sand. It has an impact on several families by giving them an income, but also established the company's reputation and the support of the surrounding village communities.

As an impact investor, our role is also to ensure that impact is a systematic part of the decision-making process, in the same way as HR and financial resources, profitability and others.

Mialy RANAIVOSON

Investment Manager, Madagascar

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OVERVIEW

Investisseurs & Partenaires (I&P) is a **pioneering impact investment group entirely dedicated to financing and supporting small and medium-sized enterprises (SMEs) and start-ups in Sub-Saharan Africa**. Created in 2002 by Patrice Hoppenot and managed by Jean-Michel Severino since 2011, I&P has developed three complementary business models to provide SMEs the necessary financing and skills.

A COMMITTED TEAM OF 80 FRANCO-AFRICAN STAFF

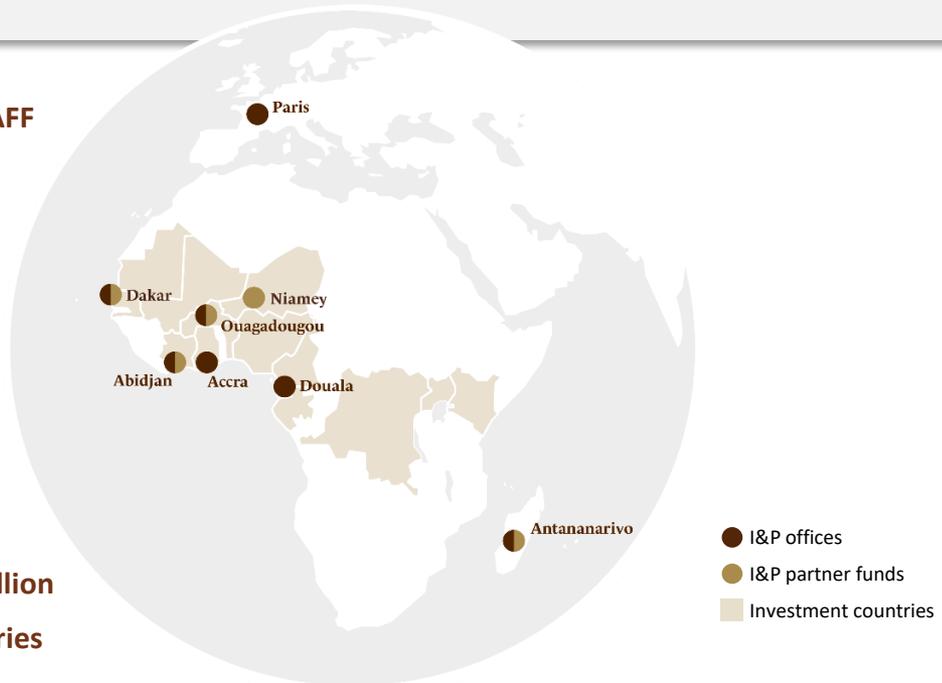
- Based in **7 African sites**: Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Madagascar, Niger and Senegal, as well as **in Paris and Washington D.C.**
- I&P and its partner funds have raised **€200+ million** from African and international investors.

MORE THAN 100 COMPANIES SUPPORTED

- 100** capital-funded companies and 20 companies benefiting from subsidized acceleration programs
- With financing needs ranging from **€10,000 to €3 million**
- Based or operating in **15 Sub-Saharan African countries**

3 COMPLEMENTARY LINES OF BUSINESS

- I&P Expansion**: Directly supporting and financing the development of SMEs and start-ups and strengthening their impact (IPAE1 and 2)
- I&P Development**: Financing small businesses through a network of partner funds in Africa (IPDEV1 and 2).
- I&P Acceleration**: Scaling-up young businesses through seed-funding and/or training program (IPAS, IPAT....)



IPAE 2 is part of I&P Expansion's line of business:

Fund size	€92M
Investment size	From €300,000 to €3M
Target # of investments	35 – 55 investments
Geographical scope	Sub-Saharan Africa (focus on Western, Central, East Africa, and the Indian Ocean)
Sectors	Working in various sectors
Fund life	Closed-end, 10-year tenure, with a possible 2-year extension



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2019

- 1 PORTFOLIO OVERVIEW
- 2 MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2019-2020 PERFORMANCE
- 3 STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS
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MISSION

Our commitment to the development and growth of African economies

I&P was created to contribute to alleviating poverty in a unique and original way: through **promoting SMEs and start-ups in Africa**. The rationale is that small businesses are one of the key drivers of increased productivity, formal decent employment and access to key goods and services improving people's life in African societies. African entrepreneurs also transform the culture, the mindset and the structure of the African societies.

As documented in this 2019/2020 report, formal SMEs pay taxes, which contribute to social expenditures and the provision of public services, which in turn strengthen the national social contract. Formal jobs also have significant benefits for employees, who can access lending, housing, health care and many other social and economic services that can dramatically improve their lives. Our report also demonstrates the magnitude of the impacts IPAE2 businesses have on their clients, who benefit from the goods and services our partner companies provide. They also directly influence their suppliers. In sectors like agribusiness, thousands of smallholder farmers are positively impacted by the SMEs IPAE2 supports. IPAE2 SMEs also help shape the financial sector through their relationships with banks and their shareholders. Through their boards and management, a new form of governance is being introduced into the African economy. The ESG support that IPAE2 provides to our partner companies helps maximize this whole range of impacts, which include benefits such as employer-provided/subsidized health care for employees and their families.

I&P was born from the idea that equity investment, and technical support, can efficiently help entrepreneurs to grow their businesses from the earliest stages of their development. Our mission is to address the “missing middle”, those SMEs that do not have access to international investors and banks given their small size but whose financing needs are also too large to qualify for microfinancing. We help move SMEs into the formal financial economy of their country.

Additionality and sustainability are key concepts for IPAE2. Not only do we operate in particularly vulnerable countries which are largely underserved by other investors, but, within these countries, we then target those SMEs that are suffering most from a lack of financing. IPAE is helping to develop a SME eco-system that would not have been possible without our funding. However, we are also deeply aware of the negative externalities generated by the economic activity involved. Therefore as often as possible we support businesses that provide direct environmental and social services. We also help reduce CO2 emissions, limit and manage waste, and combat biodiversity loss.



ADDRESSING THE “MISSING MIDDLE” IN AFRICA

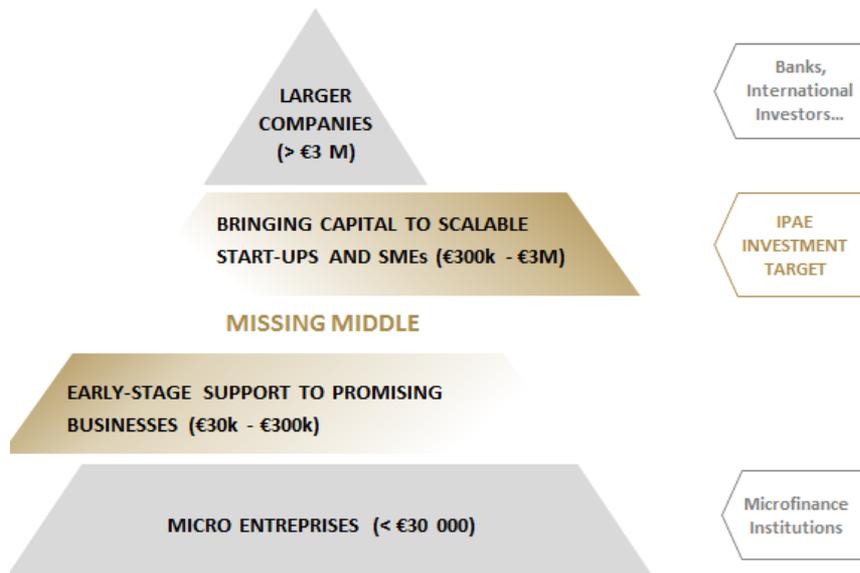
Private equity: a proven response to the growth needs of SMEs

WHY PROMOTING AND GROWING SMEs MATTERS

SMEs appear as solution to many development challenges in Africa as they :

- **Create decent and stable jobs** that offer higher wages than in the informal sector (50% to 60% higher according to data from Ghana and Tanzania)
- **Offer well above-average growth potential** (15% per year on average for IPAE1 portfolio companies)
- **Build and structure the local economic fabrics.** SMEs tend to obtain their supplies locally, unlike multinationals, which tend to rely on international networks.
- **Improve access to useful goods and services for domestic markets** and the BOP (such as water, healthcare, housing and education). African SMEs tend to be predominantly focused on domestic markets, thus filling these gaps.

Financing the missing middle in Sub-Saharan Africa²



¹ Enterprise Surveys, World Bank Group

² Lundin Foundation: “Resourcing The Missing Middle”

PRIVATE EQUITY: A NEW SOLUTION FOR AFRICAN SMEs

Equity investors such as IPAE can effectively meet most of the needs of African SMEs:

- ① **Personalized long-term risk finance:** private equity investors can provide long-term equity and quasi-equity finance, often without asset-based collateral
- ② **Accessing skills:** the investor provides individualized management support to the investees in various areas of expertise (strategy, accounting, financial management...)
- ③ **Improving governance:** the investor structures the governance of the companies and improves management standards
- ④ **Catalyzing effect:** the presence of an investor facilitates bank financing

INVESTING IN SUB-SAHARAN AFRICAN

A dynamic yet challenging region

Significant growth momentum, fragilized by the COVID19 Crisis

- Sub-Saharan Africa reached **2.5% growth in 2019** (World Bank). Overall, the growth recovery has been faster than envisaged, especially among non-resource-intensive economies, underscoring Africa's resilience.
- Although Africa is not yet the continent the most affected by the virus, **economic consequences are likely to be severe**. Growth is expected to fall sharply, up to -5.1% in 2020, signifying the first recession in the region in more than 25 years (World Bank).
- Africa **will become the world's youngest and most populous continent** over the next few decades. Its labor force will rise from the estimated 620 million in 2013 to **nearly 2 billion in 2063** (AfDB). A demographic dividend could provide a great opportunity for Africa, if, and only if, the continent manages to cope with the current health and economic crisis in order to provide economic opportunities for all.

A strong entrepreneurial spirit

- A 2015 Approved Index study ranked Africa among **the top of the entrepreneurship chart**.
- **26% of sub-Saharan African women are actively involved in entrepreneurship**, making Africa the leading continent for women entrepreneurship (Rolland Berger).

Still many development challenges

- Africa's recent high economic growth rates **have not been accompanied by high job growth rates**. Between 2000 and 2008, employment grew at an annual average of 2.8%, roughly half the rate of economic growth. Hence the importance of financing SMEs that have a greater potential for job creation.
- **African SMEs suffer from very limited access to the formal financial sector**: more than 40% of SMEs cite access to finance as the major factor limiting their growth (World Bank).

In such a context, I&P capitalizes on its knowledge in the field and on its 17 years of impact investing in these countries. This enables it to fulfill its mission to invest in these fragile countries by managing the risks involved as effectively as possible.

IPAE2'S FOCUS ON LEAST DEVELOPED AND FRAGILE STATES

One of IPAE2's impact objectives is **to have 70% or more of its investments operating in Least Developed Countries or Fragile Countries**. These designations are established by the United Nations and the World Bank, respectively.

IMPACT THESIS

IPAE 2, a mission-driven fund

THE FUND'S IMPACT THESIS:

PROMOTE LOCAL ENTREPRENEURSHIP TO FOSTER INCLUSIVE GROWTH AND STABILITY IN AFRICA



ENTREPRENEURS

Develop responsible African entrepreneurship, particularly in Fragile and Least Developed Countries.



EMPLOYEES

Create decent jobs and training opportunities.



CLIENTS

Meet unsatisfied demand for goods and services and contribute to the SDGs.



SUBCONTRACTORS

Create business for local suppliers and distributors and densify the local economic fabric.



WOMEN

Integrate a gender-lens perspective and promote women leadership, women employees and women-oriented products and services.



ENVIRONMENT

Foster environmentally-friendly development, whether through "green" products and services or through mitigation of environmental impact.

I&P'S MAIN CONTRIBUTION TO THE SDGS



BEYOND THE MISSION, THE MEASURE (1/2)

IPAE2's measurable impact targets

RATIONALE

We seek to maximize impacts through proactive management of the portfolio, based on **measurable targets**, aggregated at the portfolio level. The fund's final impact performance will be assessed against these key impact targets, which would be fully achieved in a **best-case scenario**.

The **impact performance is reflected in the fund's incentive structure**. This structure is expected to reward the team to the extent to which impact targets are met (or not).

If the financial hurdle rate is achieved (IRR > 5%), the carried interest percentage for the investment manager (within a range of 10% to 17%) will be adapted according to the achievement of the key impact targets presented below.

KEY IMPACT TARGETS

1 Developing responsible African entrepreneurship, including in Most Fragile Countries

- 70% (or more) of companies owned or led by leaders rooted in Africa over the long term
- 70% (or more) of companies operating in Least Developed Countries or Fragile Countries

Only **14%** of impact investing in Africa allocated to LDCs or Fragile Countries (GIIN, 2015, 2016)

2 Creating decent jobs & training opportunities

- 50% (or more) direct employment growth during the holding period (at the portfolio level), provided that jobs created have decent conditions
- 50% (or more) companies improving health and safety in the workplace or social protection for employees during the holding period

+15% of employment growth in PE-backed companies in Africa over the investment period (AVCA, 2016)

BEYOND THE MISSION, THE MEASURE (2/2)

IPAE2's measurable impact targets

KEY IMPACT TARGETS (CONTINUED)

3 Promoting women entrepreneurs and managers

- 35% (or more) of companies owned or led by a woman or with more than 30% of women in senior leadership positions

Only **5%**
of companies led by
women in Africa (Mac
Kinsey, 2016)

4 Meeting unsatisfied demand for goods and services and contributing to the new SDGs

- 50% (or more) of companies providing local goods or services addressing essential needs and the new United Nations SDGs

5 Fostering an environmentally friendly development

- 50% (or more) of companies implementing "green" projects (renewable energy, energy efficiency, CO2 capture or offset, waste or effluent management, sustainable agro-business, etc.)

CALCULATION OF THE EXTRA CARRY

The **final carry will be comprised between 10% and 17%** for the fund manager, depending on the level of achievement of key impact targets, as presented below. To ensure impact data reliability, impact figures will be audited two or three times in the fund's life.



IMPLEMENTING AN IMPACT MANAGEMENT SYSTEM

Pursuit of impact objectives supported by strong ESG analysis

FROM ESG TO IMPACT:

RISK MANAGEMENT

Environmental Social and Governance (ESG) risks assessment based on IFC Performance Standards.

VALUE CREATION FOR THE INVESTEE COMPANY

Identify extra-financial opportunities and promote actions creating combined societal and economic value.

DEVELOPMENT IMPACT

Enhance positive impact to achieve broader development outcomes.



WHAT DOES ESG MEAN?

Environmental, social and governance (ESG) criteria are a set of standards at the basis of extra financial analysis, which aim at assessing non-financial issues in order to get the best out of corporate governance.

- **Environmental** criteria take into account a company's environmental impact and its management performance
- **Social** criteria examine how a company manages relationships with employees, suppliers, customers, and the communities it affects.
- **Governance** deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.



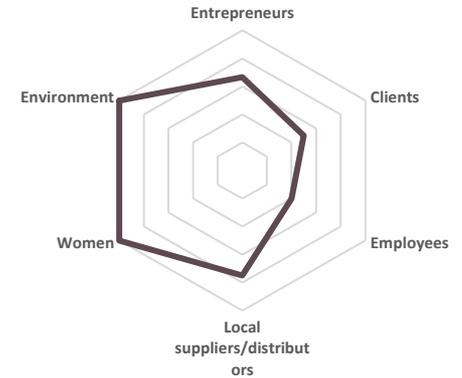
IMPACT MANAGEMENT | PRE-INVESTMENT

Screening investment projects on ESG & impact

ASSESSING PROSPECTIVE IMPACTS

For each of its impact funds, the I&P team uses **Impact Screening Scorecards** to screen investment projects for alignment with the fund's core impact objectives and to identify ways to improve overall impact:

- Impact on **local entrepreneurship** (entrepreneur nationality and location, additionality of the investment, etc.)
- Impact on **women empowerment**
- Impact on **employees** (creation of decent jobs)
- Impact on **clients** (meeting of local and essential needs)
- Impact on **local suppliers and distributors**
- Impact on **environment**



Sample Impact Screening Scorecard

CONDUCTING ESG RISK DUE DILIGENCE

In-depth analysis of the following ESG risks based on IFC Performance Standards:

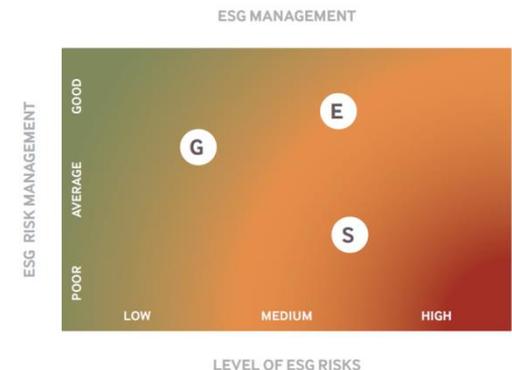
- **Social considerations** including, but not limited to, working conditions and human resources management, occupational health and safety, and impact on local communities
- Environmental considerations, such as water and waste management, carbon footprint and energy efficiency, impact on biodiversity,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

EVALUATING ESG RISK AND ESG MANAGEMENT

The I&P team rates **ESG risk** (high, medium or low), as well as the **level of ESG management** (good, average or poor) thanks to extra-financial diligence criteria that allow risks identification and management evaluation.

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

Sample ESG risk categorization matrix →



IMPACT MANAGEMENT | POST-INVESTMENT

Impact and ESG monitoring during investment and exit

IMPLEMENTING ESG ACTION PLANS TO GENERATE ECONOMIC AND SOCIETAL PERFORMANCE

- The investment team works with partner companies on **ESG actions** that generate economic value and are fully integrated into the company's operations.
- Partner companies legally undertake implementing and monitoring of these ESG action plans, and a contact person is appointed to oversee the process.
- **Bi-annual meetings** with the company's management team are set up to assess progress made and to update the action plan.

MEASURING ESG & IMPACT RESULTS ANNUALLY

Annual Collection & Analysis of Impact Indicators

I&P measures investee company performance with an **in-house IM tool based on IRIS metrics**. Close to one hundred indicators are collected on a declarative basis and analyzed every year to assess partner companies' impacts on their local stakeholders:

ENTREPRENEURS

- Share of companies led by African entrepreneurs
- Age, level of education, years of experience, etc.

ENVIRONMENT

- Company carbon footprint

CLIENTS

- Share of services and goods that address SDGs

WOMEN

- Share of women among company's employees
- Share of women in top management

EMPLOYEES

- Job creation and patterns (gender, wages, etc.)
- Employee training and other benefits

SUPPLIERS/DISTRIBUTORS

- Number of suppliers/distributors
- Share of national suppliers

360° Impact studies (available on I&P's website under "Resources")

I&P regularly **conducts in-depth impact studies on a company or a specific topic**. A 3- to 4-members team conducts a field survey among local stakeholders to evaluate each company's impacts. In 2018, two studies were published on the impacts of formal employment in Madagascar and Senegal.

ENSURING GOOD IMPACT MANAGEMENT AFTER EXIT

- I&P selects buyers who allow for the **sustainability of the company's impacts and ensure good ESG practices**.
- Impact management issues are **included in exit discussions** with the selected purchaser(s) and in legal documentation.

ESG METHODOLOGY – PRI ASSESSMENT

Best in-class practices according to PRI assessment

UN Principles for Responsible Investment Pilot Assessments



- International network of investors (1,184 signatories): implementation of **6 Principles for Responsible Investment**
- **Third assessment report** based on I&P's 2019 report to the PRI
- Based on three modules, on a scale from A+ to D: overarching approach, private equity and inclusive finance (for microfinance)

Module	STRATEGY AND GOVERNANCE	
TOTAL SCORE	28★ (out of a maximum 30★)	<ul style="list-style-type: none"> ▪ Very good assessment, placing I&P among the top performers of its category ▪ To achieve the best score (30/30), increased disclosure of ESG commitments and third-party verification of the PRI annual report
Band	A (median score of all respondents: B)	

Module	PRIVATE EQUITY	
TOTAL SCORE	28★ (out of a maximum 30★)	<ul style="list-style-type: none"> ▪ Very good assessment ▪ Improvement potential: more <u>formal</u> sustainability policies within partner companies
Band	A (median score of all respondents: B)	

Module	DIRECT – INCLUSIVE FINANCE	
TOTAL SCORE	32★ (out of a maximum 36★)	<ul style="list-style-type: none"> ▪ Improvement (from B to A) since 2014 ▪ As a result of an increased focus on client protection principles and social performance management
Band	A (median score of all respondents: B)	



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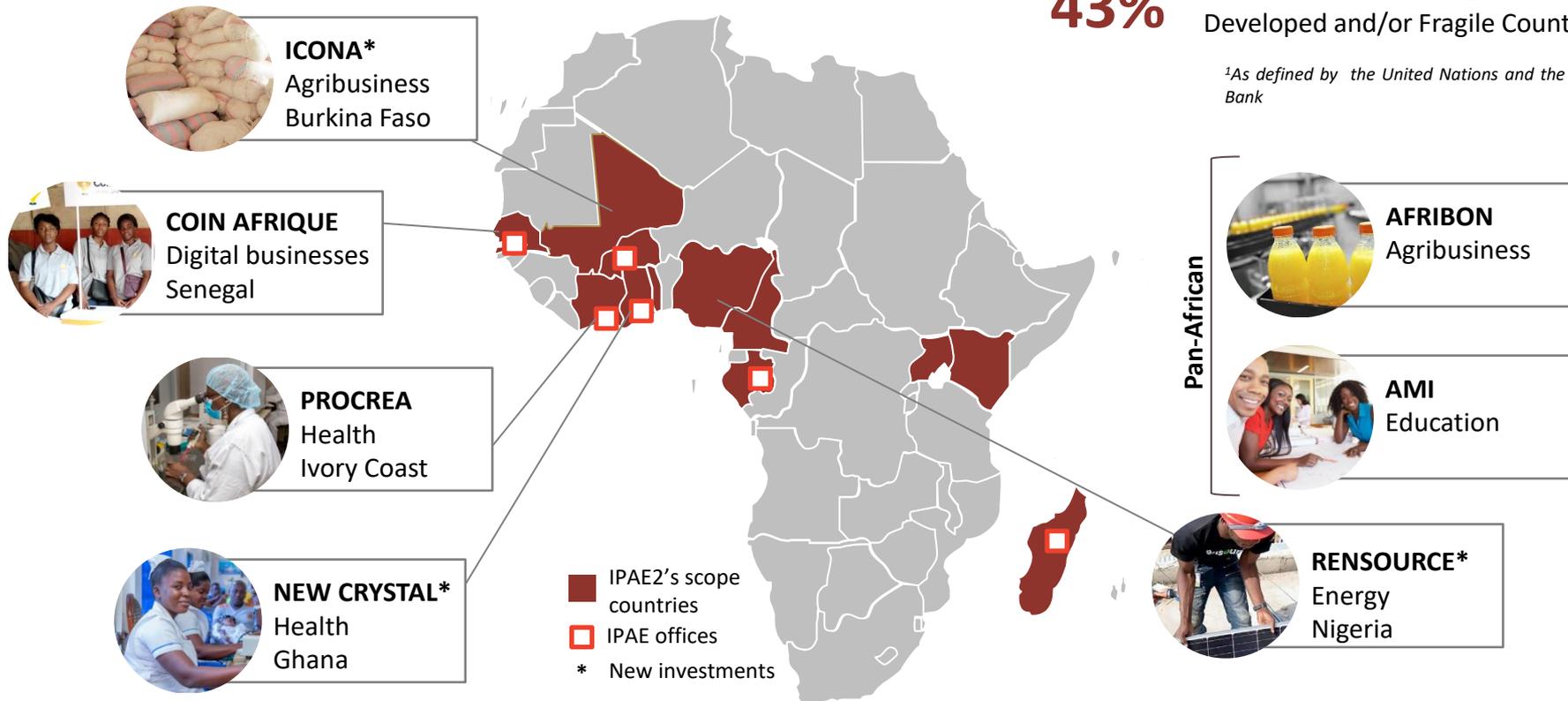
2019 IPAE2 PORTFOLIO OVERVIEW

Seven investments, five different sectors

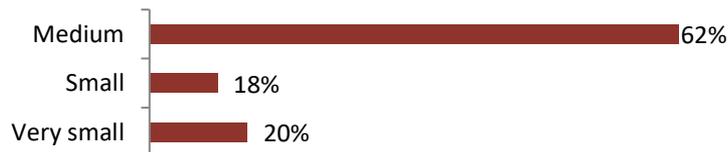
43%

of funds committed in Least Developed and/or Fragile Countries¹

¹As defined by the United Nations and the World Bank

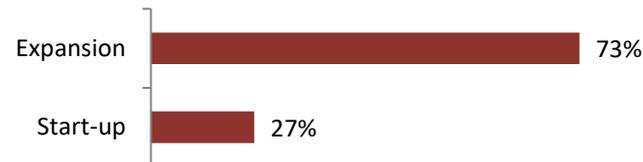


SIZE OF PORTFOLIO COMPANIES



Very Small SME : Turnover < € 0.5M and Employees < 25
 Small SME : €0.5M < Turnover < €1.5M€ or 25 < Employees < 50
 Medium SME : €1.5M < Turnover < €4M and Employees > 50

MATURITY



Note: The percentages in each category are calculated according to commitment in each company.

IMPACT-ORIENTED PORTFOLIO MANAGEMENT

IPAE2's progress

An assessment of IPAE2's performance on key impact objectives after one year of investment was conducted in 2019. Since the portfolio currently contains only seven companies, the data is not yet sufficiently representative. Objectives 4, 5 and 7 were not assessed, as their completion will be measured by an Impact auditor only on the Final Impact Determination Date.

Key impact objectives	Nb	Indicator	Target	2019 progress
Developing responsible African entrepreneurship	1	Percentage of companies owned or led by leaders rooted-in Africa on the long term	70% or more	86%
	2	Percentage of companies operating in Least Developed Countries or Fragile Countries	70% or more	43%
Promoting women entrepreneurs and managers	3	Percentage of companies owned or led by a woman or with more than 30% of women among senior leadership positions	35% or more	43%
Creating decent jobs	4	Percentage of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions	50% or more	n/a
	5	Percentage of companies improving health and safety in the workplace or social protection for employees during the holding period	50% or more	n/a
Meeting local demand for essential goods and services	6	Percentage of companies providing local goods or services that address essential needs and the new UN Sustainable Development Goals (target: 50% or more)	50% or more	86%
Environmentally friendly development	7	Percentage of companies implementing "green" projects	50% or more	n/a



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IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2019

1 PORTFOLIO OVERVIEW

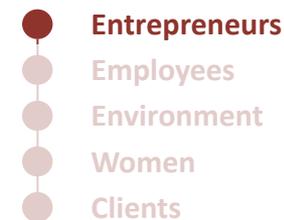
2 MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2019-2020 PERFORMANCE

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

3 STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

DEVELOPING RESPONSIBLE ENTREPRENEURSHIP



IPAE 2 pursues two impact objectives regarding the companies in portfolio:

- 70% (or more) of companies should be owned or led by leaders rooted-in Africa on the long term
- 70% (ore more) of companies should be operating in Least Developed Countries or Fragile Countries

A great majority of IPAE 2 entrepreneurs and managers with local roots



86%

of entrepreneurs in our portfolio are **rooted in Africa over the long term**

Many operating in the poorest and most fragile countries



43%

of our partner entrepreneurs operating in **Least Developed Countries***

**As per the December 2018 UNDCP list of Least Developed Countries*



FOCUS ON 2 ENTREPRENEURS

I&P published a series of interviews featuring two entrepreneurs supported by the fund I&P Afrique Entrepreneurs 2:

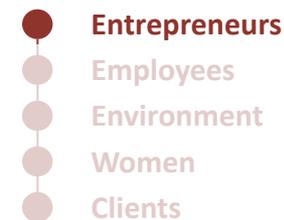
Dr. Myriam Kadio-Morokro Brou founded the Procréa clinic in Côte d'Ivoire in 2006. The clinic specializes in reproductive health and is now a regional leader in Medically Assisted Procreation. [Read more](#)

Dr. Wisdom Amegbletor is a medical doctor and an entrepreneur. He launched New Crystal Health Services, Ghana's leading private healthcare group dedicated to the urban poor. [Read more](#)



FOSTERING GOOD GOVERNANCE

Supporting entrepreneurship through better governance



1 IMPLEMENTATION OF A SHARED GOVERNANCE

Entrepreneur(s) usually hold a majority stake and remain in charge of day-to-day operations. They are provided with strategic guidance that improves the credibility of the business vis-à-vis external partners.

One or two independent directors are included when appropriate and possible, to bring additional expertise with an independent view.

57% of boards include at least one independent director



3.1 board meetings held in 2019 on average in each partner company

One or two IPAE members on the investment or strategic advisors' teams who provide support to the entrepreneurs and ensure that extra-financial considerations are regularly raised and discussed.

Other minority shareholders may be represented in some cases.

2 UPGRADING OF ACCOUNTING AND REPORTING PRACTICES

Our context: IPAE2 invests in fast growing companies, which have an urgent need to strengthen their internal capacities to achieve sustainable growth.

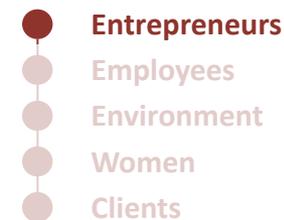
Our actions :

- **Audited accounts:** we require that annual accounts be audited by statutory auditors to ensure reliable accounting practices
- **Training seminars:** in 2018 and 2019, entrepreneur training seminars focused on financial management and change management in SMEs.
- **Technical assistance:** customized assistance is provided to several partner companies

3 ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

Good governance involves impeccable integrity at all levels of the company. I&P assists its portfolio companies to improve their KYC practices, to elaborate ethical codes and to fight against corruption.

SUPPORT FROM THE TECHNICAL ASSISTANCE PROGRAM



IPAE 2 builds strong partnerships with its investee companies by providing them with both financing and managerial support. **Given the lack of human and financial resources in Africa, the IPAE2's technical assistance (TA) program is critical to fostering capacity building, skills transfer and training in partner companies.** This assistance is complementary to IPAE 2's general strategic and management mentoring. **The TA program is based on grants from IFC (€655k), EIB (€1.05M), FISEA (€250k) and DGGF (€700k). It co-finances a great variety of support missions being carried out by independent specialists.**



14 missions have been conducted in 2019 and 4 are still in progress.



A total budget of **€155K** financed by IFC (€107 k), EIB (€8k), FISEA (€5 k) and investee companies (€35 k).



736 days have been dedicated for TA missions.



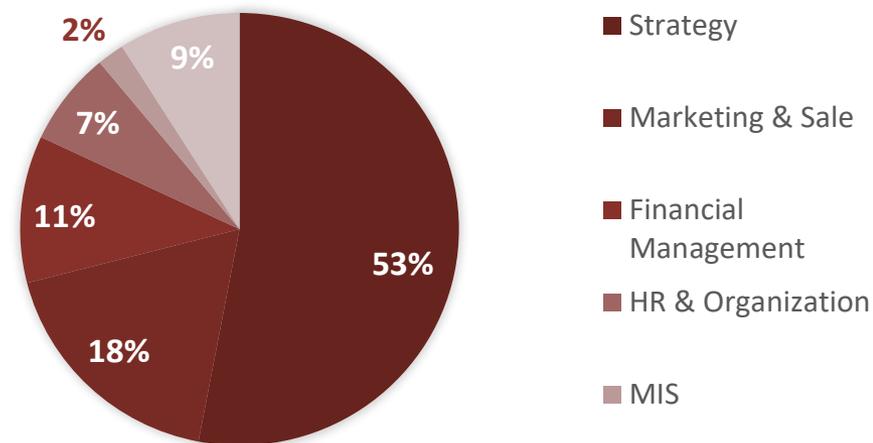
14 different experts, **9** of them African, have been committed to TA missions.

EXAMPLE OF A MISSION: CLINIC PROCRÉA

Company description: A clinic based in Ivory Coast specialized in providing medical assistance in procreation (MPA), maternal and child health services.

Type of TA: Post-investment – Strengthening of HR management to best prepare for the expansion of the clinic.

FIELDS OF ACTION



Assessment and results:

- The mission helped to **build a clear HR policy** and **various management tools** (salary grid, standard job description, evaluation grid, etc.)
- A **formal performance evaluation procedure** has been implemented. **Performance reviews** are conducted twice a year and the company has set up a bonus system.

SUPPORTING ENTREPRENEURSHIP UNDERSERVED BY TRADITIONAL FINANCING

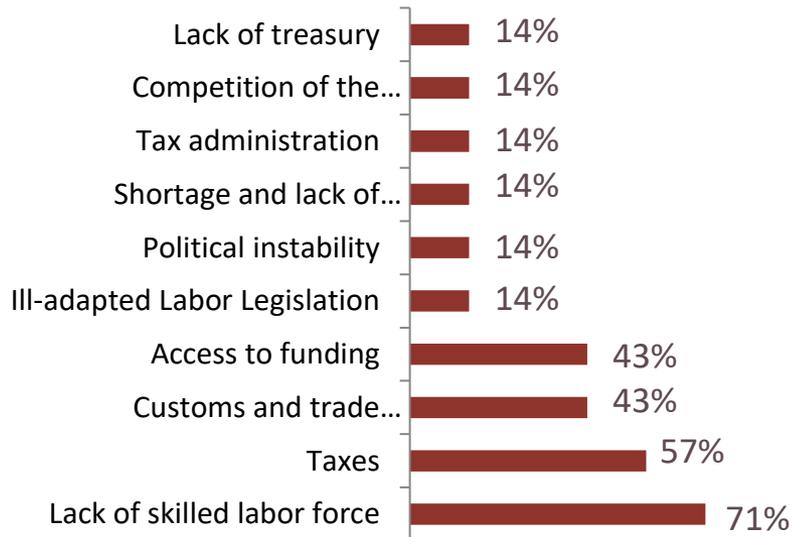
- Entrepreneurs
- Employees
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- Clients

Strong additionality of IPAE's investment

56%

of companies would have had to carry out their investment project at a smaller scale without IPAE2's funding

Main obstacles faced by our investee companies during their development process



Leverage effect of IPAE's investment

- SMEs face **significant difficulty securing external financing** from local commercial banks and other traditional financiers.
- We assist our entrepreneurs in their **negotiations with other local or international financial institutions** or by participating in the search for new shareholders, using our networks.



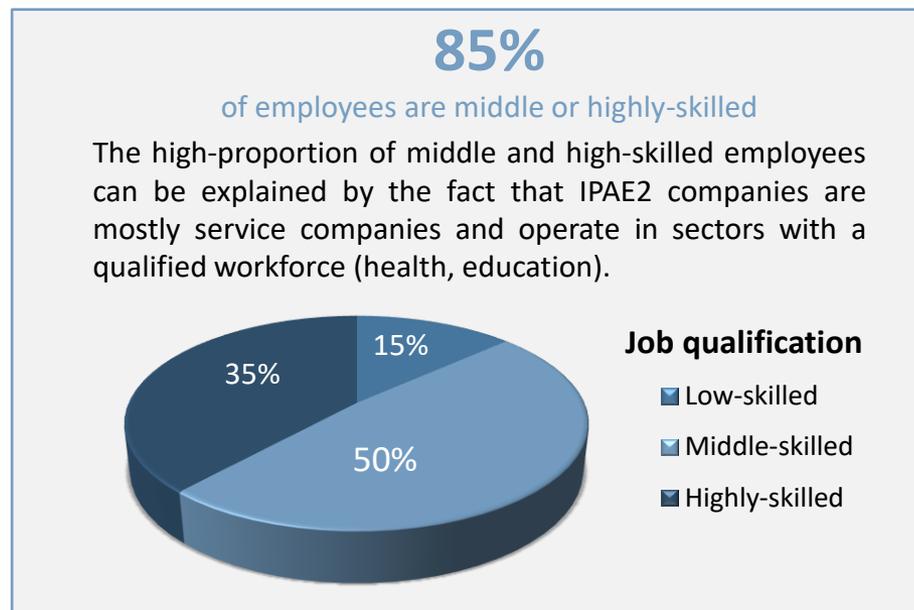
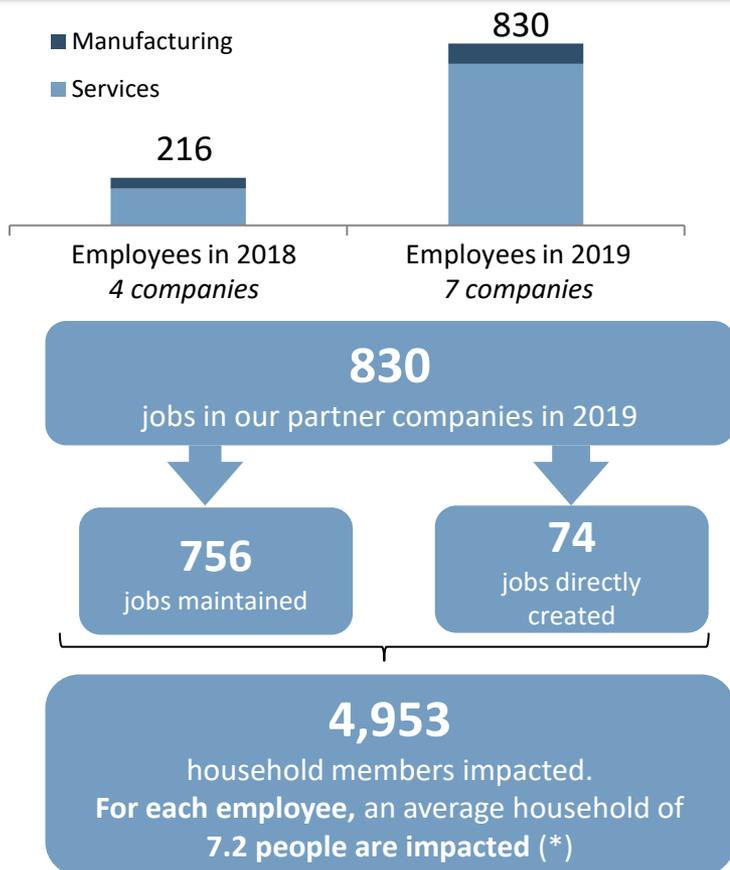
(*) This figure is computed by dividing the amount invested (equity and debt) by the amount invested by investors other than IPAE at the time of the initial investment by the amount of IPAE's investment (equity and debt).

CREATING DECENT JOBS

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

IPAE 2 pursues 2 impact objectives regarding job creation:

- 50% (or more) of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions
- 50% (or more) of companies improving health and safety in the workplace (beyond compliance with IFC standards) or social protection for employees during the holding period

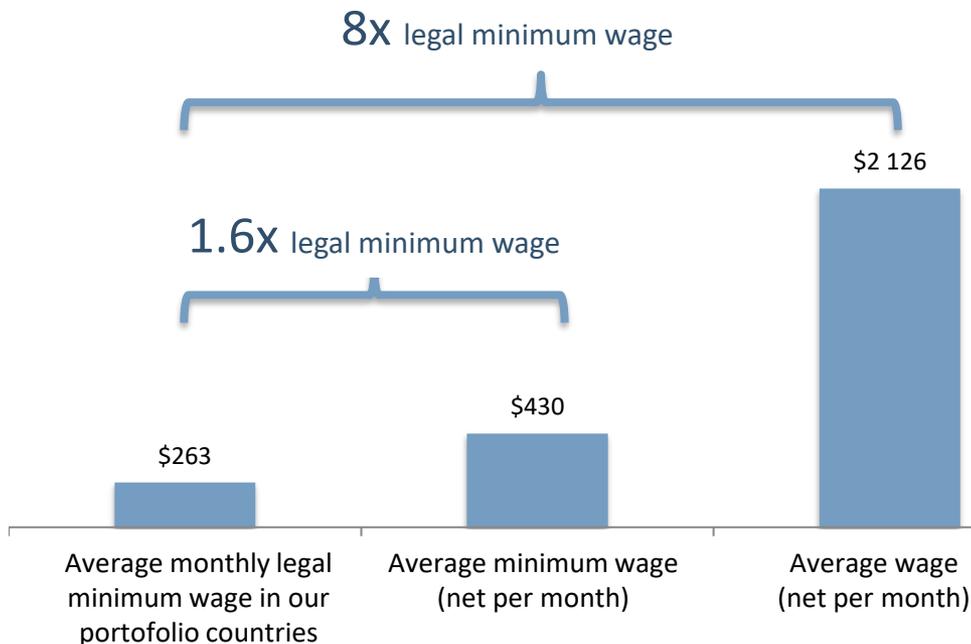


(*) This figure is computed by multiplying the number of employees by the average household size in each country, based on GDL data available online: <https://globaldatalab.org/areadata/hhsize/>

LEVEL OF WAGES

Average minimum wage 60% higher than the legal minimum wage

- Entrepreneurs
- Employees
- Environment
- Women
- Clients



Key Figures

€6 million

in wages paid to employees in 2019

\$2,126

average wage in portfolio companies

\$657

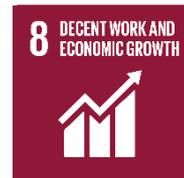
average wage in Sub-Saharan Africa (*)

The average net monthly wage in portfolio companies is around **3.3x higher than the average wage in sub-Saharan Africa.**

We use the Purchasing Power Parity (PPP) conversion rate to control for the variable cost of living in various countries.

CEO wages are not taken into account in order to more accurately reflect the reality of salary levels.

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



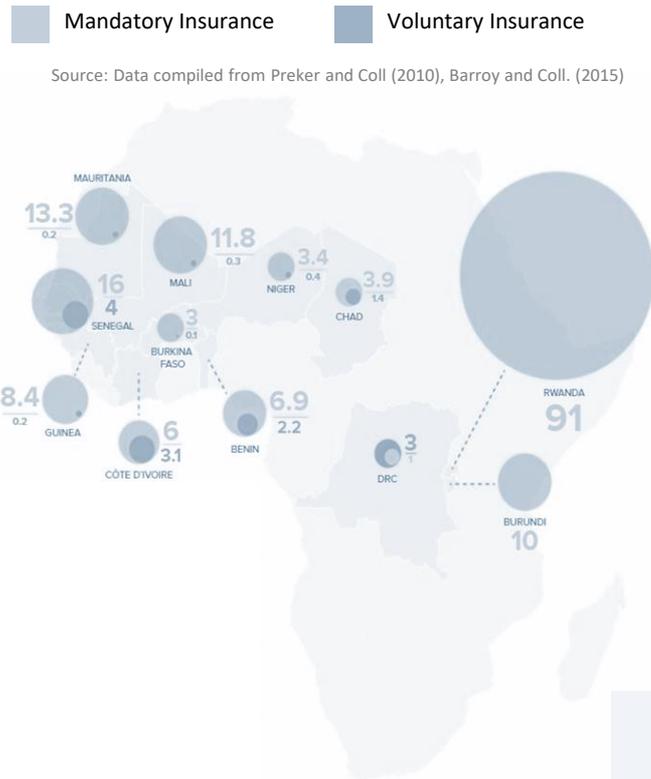
SDG 8.5
Decent work for all

HEALTH INSURANCE AND SOCIAL PROTECTIONS

Current performance of partner companies

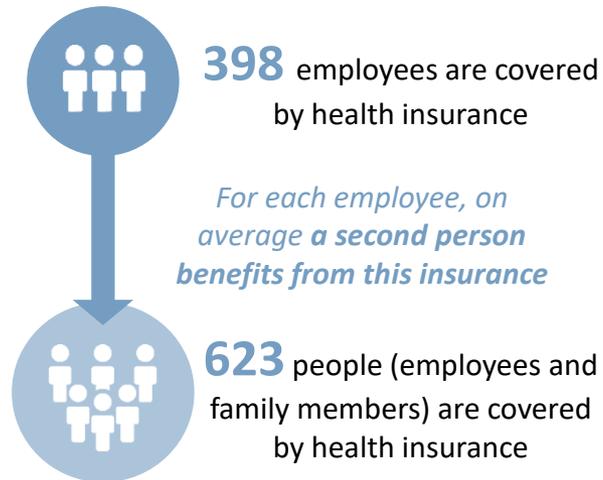


Context: as shown below, the **number of people covered by health insurance in Africa remains extremely low, ranging from 3% to 20% in West Africa.**



Source: Data compiled from Preker and Coll (2010), Barroy and Coll. (2015)

CURRENT SITUATION IN IPAE2 COMPANIES



MAIN ACTIONS TO DATE

Projects include:

- Implementation of a portfolio-wide study to **identify best practices & lessons learned** (25 respondents among portfolio companies). This study was shared with the entrepreneurs and presented during the 2018 entrepreneurs' annual seminar.
- **ICONA** : with the creation of the new legal company all employees have been formalized, therefore, 15 employees now have access to public social protection.

FOCUS ON AMI

To select a new health insurance company for their employees, AMI (African Management Institute) asked the team to choose five insurance companies to consider and invited the companies to present their programs to the team. Thereafter, the team came together and chose one a finalist, Minet AON. AMI invited the company back for a final presentation and to answer any questions the staff had, after which a contract for health insurance coverage was signed with Minet AON.

For more information on the African insurance sector, see [PROPARCO's magazine Private Sector & Development](#).

HEALTH & SAFETY AT WORK

Reaching SDGs and promoting good practices inside our firms

- Entrepreneurs
- Employees
- Environment
- Women
- Clients



SDG 3.8

Achieve universal health coverage

71%

of our companies provide **complementary health insurance** beyond public health programs.



SDG 4.4

Promote lifelong learning opportunities

86%

of companies held at least one training in 2019

632

employees trained in 2019



SDG 8.8

Promote safe and secure working environments

71%

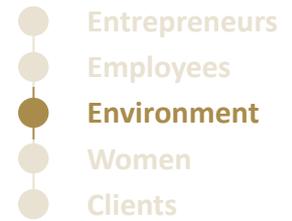
of our companies have implemented measures to **enhance safety at work** (formalized processes, employee training, etc.)



MONITORING SAFETY AT WORK

- During the due diligence phase, impact assessments or technical audits are conducted for all projects involving significant risks.
- Any serious incident is directly reported to our investors. No major incident was reported in 2019.
- Yet, safety at work remains an important issue. In 2019, a more minor incident occurred since an employee of a company suffered an electric shock when handling the electrical panel. There were no after-effects for the employee, who made a good recovery. But the incident shows the importance of rigorous procedures.

ENVIRONMENTALLY FRIENDLY DEVELOPMENT



IPAE 2 pursues one main impact objective regarding the environment:

- 50% (or more) companies implementing green projects



I&P'S CLIMATE POLICY

I&P wish to establish a “climate policy” to formalize our objectives and approaches to climate-resilient economic growth in Africa through private finance and local entrepreneurship. This policy will be carried out at two levels:

- **At I&P:** in line with our B-Corp certification, we have implemented several actions to **reduce our carbon footprint** (offsetting of carbon emissions, implementation of more extensive waste sorting, reduction of plastic packaging for lunch, etc.)
- **In our partner companies:** **environmental risks** are systematically analyzed - as explained in our impact monitoring methodology, an environmental impact objective has been set in our Extra Carry, etc.



REDUCING THE PORTFOLIO'S CARBON FOOTPRINT

OUR APPROACH:

- Our partner companies can play an active role in experiencing and sharing **new and replicable energy efficiency and renewable energy solutions.**
- Ultimately, we aim at both separating investees' economic growth from their carbon growth and setting an example.

OUR ACTIONS:

- We assess the **portfolio's 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

Environmental impact assessments conducted by external experts include specifications about waste and effluent management that are routinely added to ESG action plans.

FOCUS ON PROCREA

Procréa has an existing waste management plan that includes specific treatment of biomedical waste. As part of I&P's investment, the plan will be upgraded on the new site that is planned to be built.

CARBON FOOTPRINT (1/2)

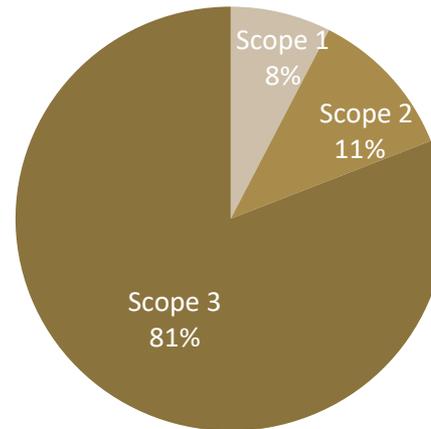
Portfolio carbon emissions by scope and category

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

2019 GHG EMISSIONS, BY SCOPE

TOTAL: 2209 tCO₂eq

A **carbon footprint** is measured in **tons of carbon dioxide equivalent (tCO₂e)**, which allows the different greenhouse gases (GHG) to be compared on a like-to-like basis relative to one unit of CO₂. We use the methodology proposed by ADEME.

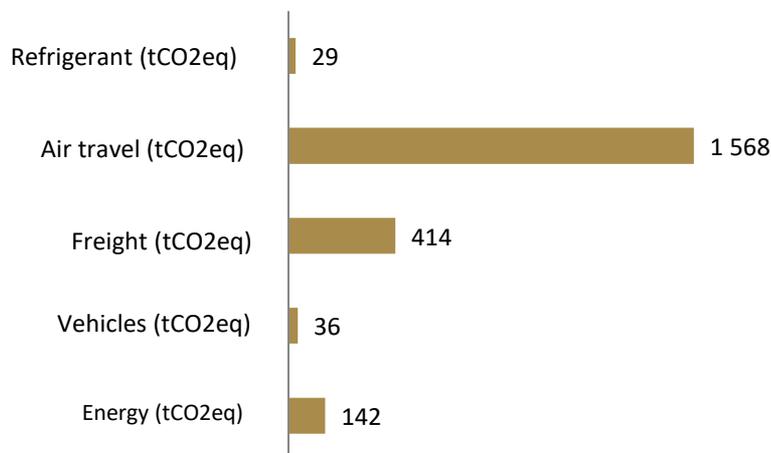


Scope 1: Emissions due to the company's direct business activities

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.)

2019 GHG emissions by category



Largest sources of emissions



72% from business travel: Companies have made several business trips related to their geographical expansion strategies (in particular Afribon and CoinAfrique)



18% from fret : A large majority coming from Rensource



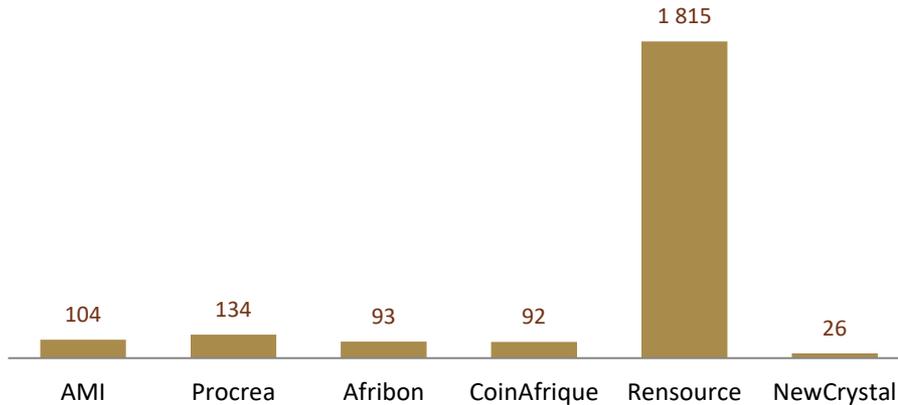
5% from energy: Energy consumption is still at similar levels for the four companies in the portfolio

CARBON FOOTPRINT (2/2)

Portfolio carbon emissions

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

2019, GHG emissions, by company (tCO2)



FOCUS ON RENSOURCE

Rensource is a Nigerian company which provides clean, reliable and affordable off-grid energy to West-African SMEs. Rensource is currently the leading provider of solar-based energy in Nigeria.

Rensource aims at supporting African SMEs in their growth by helping them to reduce their carbon footprint and providing them affordable access to electricity.

The high Rensource's large carbon emissions can be explained by the large number of intra-Nigerian flights the company is required to make in order to meet with their SMEs networks, far from the capital, and to implement off-grid solutions.



322Mt

CO2
emissions
saved in
2019

5800

SMEs
connected
to the
Rensource
network

137 000

litres of fuel
saved in
2019

PROMOTING WOMEN ENTREPRENEURS AND MANAGERS



IPAE 2 pursues one main impact objective regarding gender equality:

- 50% (or more) companies owned or led by a woman or with more than 30% of women among senior leadership positions



MAIN AREAS OF ACTION

On International Women’s Day (March 8th), I&P took a step back to assess the progress made one year after the launch of our **gender strategy, “Opportunities to bridge the gender gap in African SMEs”**. Beyond our achievements with entrepreneurs, clients and employees, I&P has been an active advocate for the promotion of women:

- On Women’s Day 2019 I&P published a **report in order to review I&P’s performance in terms of gender equality**.
- In 2018, a series of portraits of women entrepreneurs was realized and shared widely across our networks.
- In 2019 I&P published an article entitled **“[How can general impact investors tackle gender-related issues?](#)”** in the Proparco magazine : *Private Sector & Development*.
- I&P actively participated in events related to gender issues, including the **Women in Africa event**.
- Raising awareness on the topic of women entrepreneurship is a key objective of our advocacy objectives and strategy.



FOCUS: 2X CHALLENGE



In June 2018, the G7 member DFIs launched the 2X Challenge to invest \$3 billion by 2020 to provide women in developing countries with opportunities [Read more about the 2x Challenge by clicking here.](#)

100% of IPAE2’s portfolio companies satisfy at least one of the 2X Challenge criteria

75% of those companies satisfy at least two criteria

5 GENDER EQUALITY



SDG 5.5

Ensure women’s full participation in leadership

(*) Women Matter, Africa, Mc Kinsey & Company, 2016

PROMOTING WOMEN EMPOWERMENT

57% of women among employees

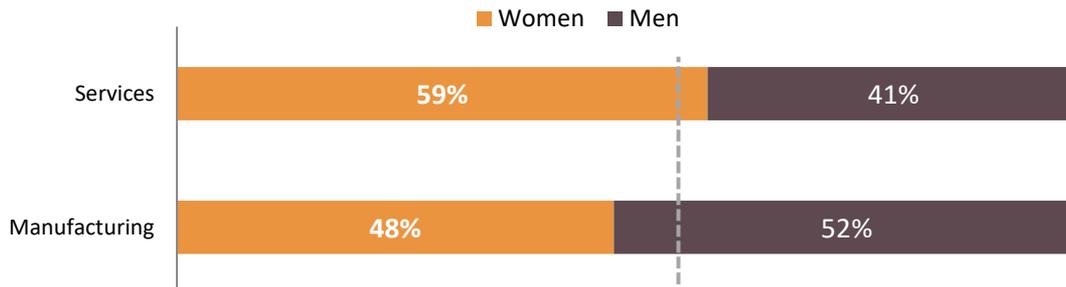
- Entrepreneurs
- Employees
- Environment
- **Women**
- Clients

1 WOMEN AMONG EMPLOYEES

**I&P 2019
Gender Performance**

30%
of women
employees

**2019 IPAE2 Portfolio
Gender Performance**



2 WOMEN AMONG MANAGEMENT

ENTREPRENEURS

5% of CEOs in Africa* **43%** women-owned or led companies (IPAE2)

TOP MANAGEMENT

23% of executive committee members in Africa* **36%** of senior leadership Positions (IPAE2)

(*) Women Matter, Africa, Mc Kinsey & Company, 2016

3 WOMEN AMONG OUR COMPANIES' CLIENTS

I&P's gender policy also implies that its portfolio includes firms that are directly responding to gender issues in Africa by:

- Offering **services or goods completely dedicated to women** (Procréa)
- Setting up **products especially dedicated to women** (AMI)

5 346
gynecological
consultation

546
women trained
in 2019

ADDRESSING BASIC NEEDS IN AFRICA



IPAE 2 pursues one main impact objectives regarding clients and local communities:

- 50% (or more) companies improving local access to goods or services addressing essential needs and the new UN Sustainable Development Goals

The role of I&P in achieving the SDGs goal in Africa

Responding to the main development challenges in Sub-Saharan Africa is at the heart of I&P's mission. We refers to the framework established by the United Nations to select our investments.

Our impact strategy is thus built around six fundamental pillars: entrepreneurship, employment, gender, access to essential goods and services, the environment, and the local economic fabric. The pillar "access to essential goods and services" is taken into account in our impact scorecard; companies that meet criteria get a higher impact rating in our pre-investment analysis.

Through these commitments, I&P and its partner companies are contributing to the achievement of Sustainable Development Goals.



FOCUS: What are the new UN Sustainable Development goals ?

The Sustainable Development Goals (SDGs), also known as the Global Goals, are a **global call to action to eradicate poverty, protect the planet, and ensure that all people live in peace and prosperity**. The UNDP is in charge of helping countries to reach the 17 SDGs and of assessing improvement around the world.

Africa is still the continent the farthest behind in achieving the SDGs :

- World's lowest school enrolment rate with only **40%** children enrolled in pre-school and primary schools.
- Only **43%** of the African population have access to electricity.
- In 2015, more than **50%** of people living in extreme poverty were located in Africa (**413 million people**).

100%

of our partner companies **address the needs of the African population or African companies** (i.e., these companies focus on the local market and do not export)

86%

of our partner companies improve local access to goods or services that **address essential needs and the UN Sustainable Development Goals***

() Investment companies can improve local access to essential goods or services, as direct providers or as part of the value chain. Essential goods and services include: food, water, sanitation, energy, land, health, lifelong education and learning, housing, clothes, media and information, new technologies, financial services for underserved populations, and passenger transport.*

ADDRESSING BASIC NEEDS IN AFRICA

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

2 ZERO HUNGER



GOAL 2: Achieve food security and improved nutrition

ICONA : Feeding the Burkinabe's livestock



4 778 tons of aliments sold

3 GOOD HEALTH AND WELL-BEING



GOAL 3: Ensure healthy lives and promote well-being for all at all ages

Procréa: Quality healthcare for women and children



5,346
gynecological
consultations in 2019

129
babies delivered at
the clinic

New Crystal: Quality healthcare with a focus on the urban poor



216 718
patients in 2019

34 number of medical
staff at the end of 2019

4 QUALITY EDUCATION



GOAL 4: Ensure inclusive and equitable quality education

AMI: Renowned, high quality education



1506 managers trained in 2019

3x more programs participants compared to 2018

7 AFFORDABLE AND CLEAN ENERGY



GOAL 7: Affordable and clean energy

Rensource: Providing affordable and reliable electricity to SMEs



7 projects in Nigeria

5800 SMEs connected in the region

8 DECENT WORK AND ECONOMIC GROWTH



GOAL 8: Support productive activities and entrepreneurship

Coin Afrique: A digital peer-to-peer marketplace



983 817
offers published in 2019

X53
compared to 2018

() Investment companies can improve local access to essential goods or services, as direct providers or as part of the value chain. Essential goods and services include: food, water, sanitation, energy, land, health, lifelong education and learning, housing, clothes, media and information, new technologies, financial services for underserved populations, and passenger transport.*

FOCUS ON NEW CRYSTAL

Providing healthcare to low income earners



- Entrepreneurs
- Employees
- Environment
- Women
- Clients



New Crystal Health Services (NCHS) is a leading private healthcare group in Ghana focused on the urban poor. From humble beginnings in 2003 in a four-room facility, the company today serves hundreds of thousands of patients annually through a chain of clinics in two regions, a diagnostic services company, and a wholesale/retail pharmaceutical business. In addition, NCHS operates a small training institute for medical and allied health personnel.

- **300,000** Average number of patients served annually
- **400+** Number of staff employed
- **67%** Number of female staff
- **6** Number of NCHS networked clinics
- **150+** Hospital bed capacity

PROVIDING QUALITY CARE TO PATIENTS



SafeCare is an internationally recognized set of clinical standards specifically designed for low- and middle-income countries (LMICs). New Crystal is one of the few healthcare providers participating in the SafeCare program in Ghana and is on the path to improving from Level 3 to Level 5 for all its facilities after the planned infrastructure upgrade.

3 GOOD HEALTH AND WELL-BEING



SDG 3

Ensure healthy lives and promote well-being for all at all ages

5 GENDER EQUALITY



SDG 5.5

Ensure women's full participation in leadership



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2019

1 PORTFOLIO OVERVIEW

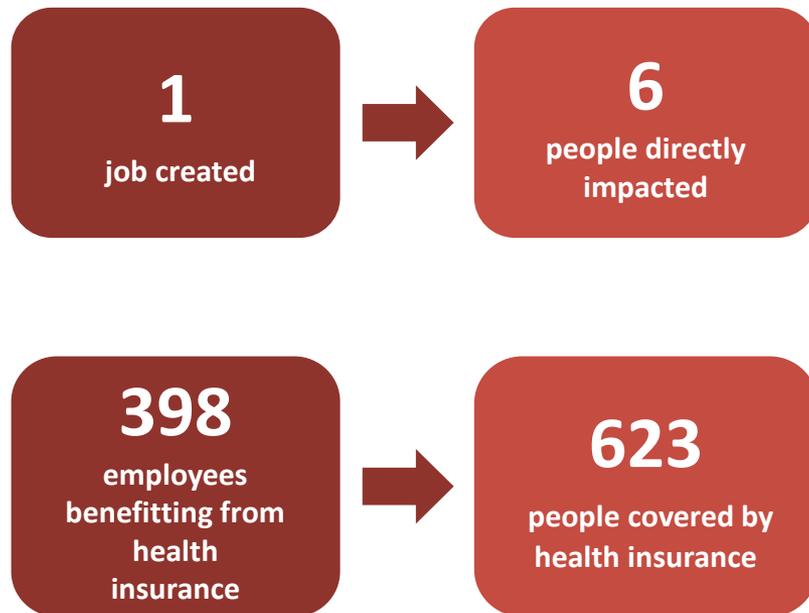
2 MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2019-2020 PERFORMANCE

3 STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

INDIRECT IMPACTS ON LOCAL STAKEHOLDERS

I&P impact mission: I&P impact goes beyond the scope of its partners companies; through investments in African SMEs, I&P also aims at contributing to the economic development of the continent from larger perspective. Our partner SMEs- are indeed taking part in an ongoing dynamic of building and strengthening the fabric of African economies by working mostly with local suppliers and contributing to political stabilization and social redistribution.



HOW TO GENERATE INDIRECT IMPACTS?

→ Impact on local suppliers

I&P impact measures take into account the impact of our portfolio on local supply chains by promoting firms that are deeply rooted in the local economic fabric.

→ The effects of SMEs formalization

SMEs formalization contributes to the growth and strengthening of local firms by enhancing best governance practices and formalizing employees status and rights.

→ Contributing to African countries' resource mobilization

Six companies in our portfolio directly contribute to the mobilization of national resources through the payment of taxes.

CONTRIBUTION TO SME FORMALIZATION

Ensuring full social and fiscal compliance



FOCUS ON MAIN ACTIONS

IPAE2's investment **requires full compliance with labor laws and formalization of the employees**. Our partner companies therefore receive support on these matters when they need it.

In August 2018, a study was conducted in Senegal and Madagascar on a group of IPDEV 2 and IPAE partner companies in order to capitalize on partner companies' experience **and better understand the issues at stake, with two areas of focus:**

- **Key barriers to formalization for companies**
- **Socio-economic impacts for employees of a job contract** (higher wages, better job security, access to bank accounts and access to social benefits, such as a pension plans, health insurance)

[*Read the full study on Senegal*](#)

[*Read the full study on Madagascar*](#)

KEY FIGURE

€2,000,000M+

paid in taxes to the local authorities in 2019



KEYNOTE

In IPAE's countries of intervention, the **low level of mobilization of fiscal resources** is a key barrier to developing the most needed public services (infrastructure, water, education...). Tax revenues represent less than 20% of GDP in Africa (OCDE, 2015). Most companies remain informal to avoid paying taxes and salary charges. In West Africa, **informal employment accounts for 92.4% of total employment** in all sectors (ILO, 2018).

17 PARTNERSHIPS FOR THE GOALS

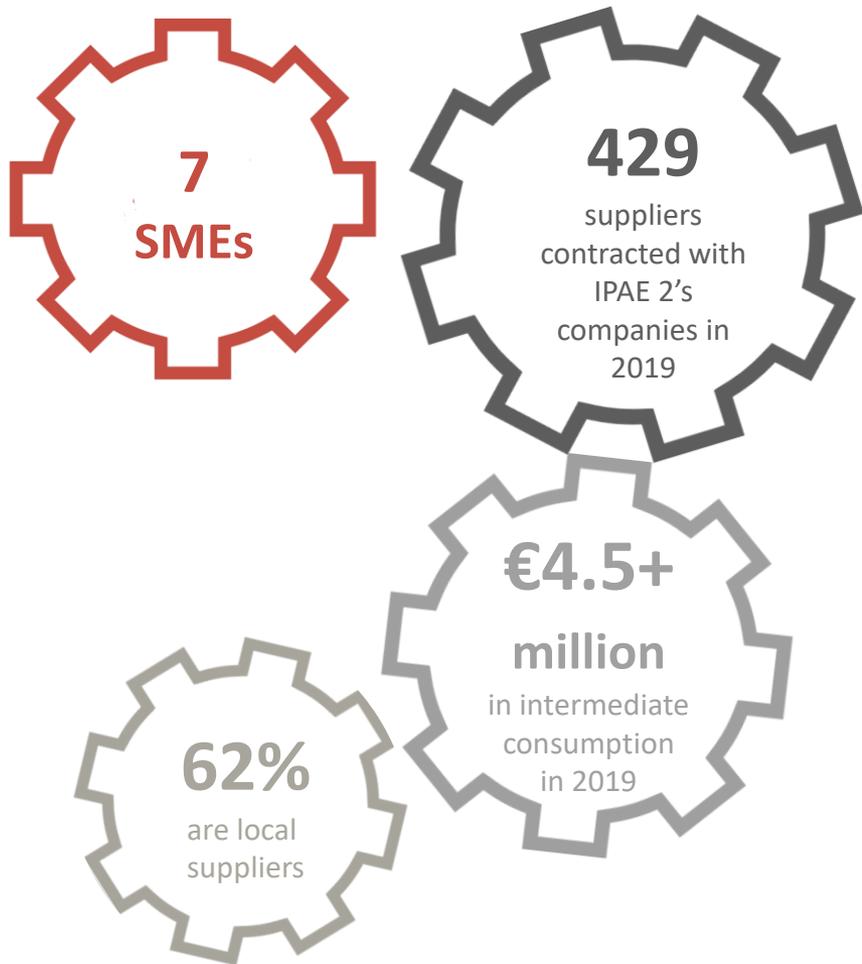


SDG 17.3

Mobilize additional financial resources

RIPPLE EFFECT ON LOCAL SUPPLIERS

SMEs build local networks of subcontractors



SPOTLIGHT: COIN AFRIQUE

CoinAfrique is a 100% mobile **community platform** that allows users to buy and sell products simply.

Created in 2015, CoinAfrique aims to become the leader in online want ads in Francophone Africa. In 2019, CoinAfrique received over 3,458,300 visits on its website (200% more than in 2018) and almost 1,000,000 ads were published. Its mobile app was downloaded 627,000 times.

CoinAfrique enables small entrepreneurs to easily sell their products.





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IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2019

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I&P'S ADVOCACY POLICY

Our vision and objectives

I&P is committed to a **proactive advocacy policy for the recognition of SMEs as vectors of change** and to the promotion of adapted financing solutions in Africa. The primary objective of our advocacy mission is **to go beyond the impacts of I&P alone** - which are necessarily limited in relation to the scale of the challenges facing the African continent - and to have a multiplier effect on our contribution to Africa's development agenda.

STUDIES & REPORTS

I&P regularly publishes studies that address its areas of expertise in concrete terms: impact investment, support for SMEs, private equity, etc.



VIDEOS

I&P showcases its African partner companies through short videos that retrace the path of the entrepreneur and key company impacts.

ARTICLES & BLOG

The team regularly shares its experience and best practices on the themes of impact investing and African entrepreneurship through specialized media and blogs.

In 2018, in partnership with FERDI, I&P launched the blog *Entrepreneante Afrique* blog.

BOOKS

The team also contributes to pleading the African cause through its own publications.



Our latest publication:

Bâtisseurs d'Afrique (Eyrolles, 2020)

Resulting from the collaboration between the group Investisseurs & Partenaires (I&P) and the author Nathalie Madeline, the book *Bâtisseurs d'Afrique* retraces the careers of eleven African entrepreneurs supported by I&P.

PROMOTING GOOD PRACTICES

A growing ecosystem

I&P helps **grow the emerging ecosystem of impact investors** and exemplifies its mission through multiple networks. Our commitment is reflected in **external evaluations and certifications such as the B-Corp™ certification and the Operating Principles for Impact Management.**

A COMMITMENT TO RESPONSIBLE INVESTMENT



IMPACT INVESTING & PHILANTHROPY NETWORKS



AFRICAN NETWORKS



PROMOTE ENTREPRENEURIALS' VOICES IN AFRICA

Focus on the African Club of Entrepreneurs



In 2016, I&P sparked the creation of the **African Club of Entrepreneurs**, a pan-African NGO (based in Abidjan) that serves a threefold purpose: **2016**



- ➔ **Promote entrepreneurship in Africa** by shedding light on the activities of the members and promoting this initiative amongst different stakeholders, including youth and women
- ➔ **Foster opportunities** by sparking new types of interactions between members on the local, national, regional and pan-African scales, in order to share best practices and foster business opportunities
- ➔ **Enhance skills** for both the entrepreneurs and their employees, in order to develop local human resources

ADVOCACY PROJECTS AND MAIN ACTIVITIES IN 2019-2020

- Arrangement for the members to take part in **MOOC sessions** (online courses) developed by top business schools and consulting firms
- The Club is one of the founding partners and a regular **contributor of the blog "Entreprenante Afrique"**, in collaboration with I&P and FERDI

Company visits by the executive office to learn about entrepreneurs' experiences and situations on the ground (Dakar, January 2020)

8th edition of the **annual training seminar** (Paris, October 2019)

Country cluster meetings for sharing experiences (Dakar, January 2020)

Executive Manager meeting with **Burkina Faso employers' organization** (CNPB) to present the Club and discuss opportunities for collaboration (Ouagadougou, March 2020)

For more
information,
please visit:
www.ietp.com



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