

*Fifteen years
Fifteen lessons from Africa*



14 Lesson n°14:

Developing an ESG approach is possible and necessary, even for SMEs in Africa, provided a long-term win-win partnership is established

We see a strong commitment from the entrepreneurs on the issue of social responsibility. They understand its importance in recruiting employees, and in improving their relationships with producers, distributors and local communities

Five years ago, we also strengthened the analysis and monitoring of the social, environmental and governance (ESG) aspects of our investment projects. **This more structured approach has been gradually introduced and has contributed to enriching the work of the investment team - notably because it places human aspects, too often overlooked in the investment decision process, at the heart of the investment process.**

When speaking with entrepreneurs about social responsibility, we have felt a strong commitment from them on this subject. They understand its importance in recruiting and retaining employees, and in improving their relationships with producers, distributors and local communities. A portfolio-wide study on health insurance improvement for company employees has led to the introduction of a support system for SMEs on this subject, which responds to a strong demand from employees and the entrepreneurs who want to retain them. In a context of strong competition for talent, social initiatives have been able to constitute innovative solutions for companies to differentiate themselves as employers.



We have also noted the lack of rigor of some SMEs on fundamental issues, such as safety on production lines or roads. In particular, the deplorable situation in Africa in terms of road safety has led to serious and sometimes fatal accidents in our businesses, sometimes where we least expected it, such as with employees of microfinance institutions, where travel between agencies and customers is frequent. Today, one of our number one priorities is fighting to promote road safety, which involves setting up trainings and formal procedures and the installation of a tracking system in the professional vehicles of SMEs. The entrepreneurs we deal with tend to feel less concerned about environmental issues, except when these issues are presented as opportunities that are in their economic interest: energy efficiency or renewable energy solutions are thus of great interest for our partner companies because they work in countries where electricity is extremely expensive and unreliable. If these solutions are identified upstream, the additional investment can quickly become profitable and generate significant cost savings, while promoting independence from local power grids.

This is our fourteenth lesson in Africa. As an investor, we see that performance and impact often go hand-in-hand at the SME level, especially from a long-term perspective. Thus, the first factor of success is for us to choose a committed entrepreneur whose investment project is socially and economically valuable (and beneficial). Experience shows us that the correlation between financial and extra-financial performance is as strong as it is natural, especially over an investment horizon of 5 to 7 years, which makes it possible to reap the full benefits of social or environmental actions in the medium or long term. Therefore, one of our priorities is to evaluate the impact ... before investing. By developing precise criteria or ratings grids, we clarify our impact objectives and commit ourselves to selecting projects based on the expected impact as well as on profitability.