Operating Principles for Impact Management

Disclosure Statement related to I&P Afrique Entrepreneurs 2

July 2023

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Statement

Investisseurs & Partenaires (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

"This Disclosure Statement applies to the following assets (the "Covered Assets"): **I&P Afrique Entrepreneurs 2 (IPAE 2) : EUR 92 485 543 (USD 104 574 328 equivalent)**

The total assets under management in alignment with the Principles is EUR 92 485 543 (USD 104 574 328 equivalent) as of 31/07/2022.

Signed:

Name of Institution: Investisseurs & Partenaires

Authorized Representative: Sébastien Boyé

Title: co-CEO of I&P

Date: 12/07/2023

About I&P (Investisseurs & Partenaires)

I&P's model is based on four complementary lines of business that address the needs of African SMEs: three lines are dedicated to SME financing and segmented according to the maturity of the companies and the size of their financing needs, and one is dedicated to fostering the overall business ecosystems in which our partner companies operate.

I&P ACCELERATION

Scaling-up young businesses through **seed-funding and/or training programs**

- I&P Acceleration in Sahel
- I&P Acceleration Technologies
- I&P Education to Employment
- I&P Digital Energy

I&P DEVELOPMENT

Sponsoring a **network of African funds** to finance small companies with high potential in amounts ranging between €50,000 and €500,000

SINERGI Partenaire d'I&P · SINERGI Partenaire d'I&P · TERANGA CAPITAL Partenaire d'I&P · MIARAKAP Partenaire d'I&P · COMOÉ CAPITAL Partenaire d'I&P · ZIRA CAPITAL Partenaire d'I&P · INUA CAPITAL Partner of I&P

I&P EXPANSION

Supporting and providing **equity financing** to mature SMEs and start-ups in amounts ranging between €500,000 and €5 million

- I&P Afrique Entrepreneurs 1
- I&P Afrique Entrepreneurs 2
- I&P Afrique Entrepreneurs 3

I&P ECOSYSTEMS

Promoting the emergence of entrepreneurs and investors in Africa and **fostering the development of a business environment** conducive to their prosperity

- **I&P Conseil**
- **Africa Growth Fund (Mastercard Foundation)**

All our funds follow the same methodology regarding ESG risk management and impact monitoring. The tools have simply been adapted to different contexts and simplified for certain vehicles given the size of the companies. In this document, we present the alignment of our last and largest fund I&P Afrique Entrepreneurs 2 (IPAE2) with the Impact Principles. This latest fund pursues a direct investment strategy and has benefited from the most developed ESG and Impact tools since I&P's inception in 2002.

PRINCIPLE 1: Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

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

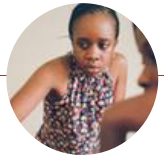
Create decent jobs and training opportunities.

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

PRINCIPLE 2: Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

As stated in Principle 4 and Principle 5 in the next slides, ESG and Impact are deeply rooted in the investment decision-making process. **Each company is assessed against an impact scorecard that is fully aligned with our impact thesis. Investments are selected based on their ability to achieve the stated impact goals of I&P. These analyses guide investment choices.**

To assert this will, financial incentive structures include both financial and impact goals. IPAE 2 seeks to maximize impacts through a proactive management of the portfolio based on measurable impact targets aggregated at the portfolio level. The Fund's final impact performance will be assessed against a set of key impact targets, which would be fully achieved in a best-case scenario.

If the financial hurdle of the fund is achieved, an extra-carry representing additional carried percentages for the fund manager will be implemented. The amount of this extra-carry will depend on the proportion of seven key impact targets achieved at the level of the fund's portfolio. Annual impact metrics will be collected on the overall portfolio to monitor these key impact figures (among others). To ensure impact data reliability, these key impact figures will be audited. Steering committees also monitor the progress of the portfolio and the potential pipeline in achieving these objectives to ensure that I&P's mission and impact thesis are being followed.

Key impact objectives	Nb	Indicator	Target
Developing responsible African entrepreneurship	1	Percentage of companies owned or led by leaders rooted in Africa on the long term	70% or more
	2	Percentage of companies operating in Least Developed Countries or Fragile Countries	70% or more
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
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
	5	Percentage of companies improving health and safety in the workplace or social protection for employees during the holding period	50% or more
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
Environmentally friendly development	7	Percentage of companies implementing "green" projects	50% or more

PRINCIPLE 3: Establish the Manager's contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

I&P has established a detailed narrative of the Funds' contribution to positive ESG impacts in the SMEs financed, which rely on financial additionality and value additionality.

FINANCIAL ADDITIONALITY

Equity investment
(minority equity, loans…)

- ✓ I&P addresses the financing needs of African SMEs (the so-called 'missing middle') that face limited access to long term finance. I&P provides financial support comprised between €30,000 and €3 million.
- ✓ For each investment opportunity, I&P assesses the extent to which the project can happen without our financial support and the leverage effect on other investments. Investments that provide high financial additionality score higher in terms of potential impact

VALUE ADDITIONALITY

Strategic and managerial mentoring

- ✓ I&P actively assists the implementation of the company's strategy and develop management tools in collaboration with the entrepreneur.
- ✓ Tailor-made impact and ESG action plans reviewed twice a year with partner companies. It includes measures that not only improve the social and environmental impacts of the project but also strengthen the company's operational and financial performance.

Technical assistance

- ✓ I&P provides capacity-building and training in a variety of fields based on the investee's specific needs (organization, training, HR, marketing, MIS…). We closely support the entrepreneurs and our local teams are very often in contact with them.
  - technical assistance missions are financed through grants
  - Each I&P investee company automatically becomes a member of the "Club Africain des Entrepreneurs" with an annual training seminar, business development and networking activities.

PRINCIPLE 4: Assess the expected impact of each investment, based on a systematic approach

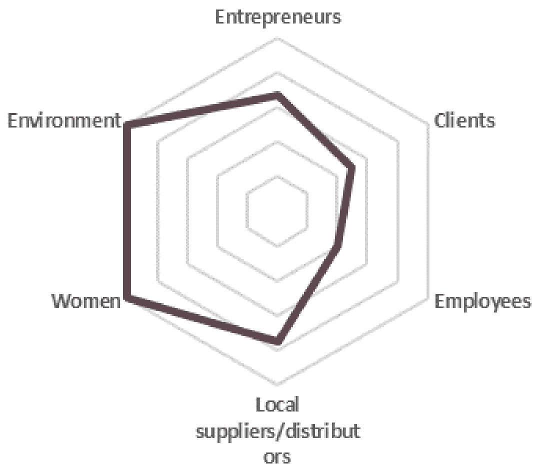
For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

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 for:
  - Impact on local entrepreneurship (entrepreneur nationality and location, additionality of the investment, etc.)
  - Impact on employees (creation of decent jobs)
  - Impact on clients (meeting of local and essential needs)
  - Impact on local suppliers & distributors (supply chain stimulation)
  - Impact on gender equality (women's representation in the workforce and top management)
  - Impact on the environment
- Identify ways to **improve overall impact**

Sample Impact Screening Scorecard



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)

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

Sample ESG risk categorization matrix

PRINCIPLE 5: Assess, address, monitor and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

CONDUCTING ESG RISK DUE DILIGENCE

Based on IFC Performance Standards, our ESG Due Diligence includes an **in-depth analysis of the following ESG-related matters as an integral part of the assessment:**

- **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

IMPLEMENTING ESG ACTION PLANS THAT ADDRESS ESK RISKS

- The investment team works with partner companies on **ESG actions** that correct and mitigate potential negative effects of the business activity (energy usage, treatment of effluents, occupational and health safety of employees…). Such corrective measures are reviewed and assessed bi-annually with the company's management team.

PROMOTING QUALITY CERTIFICATION

- For its investment vehicle IPAE, I&P looks at whether investees have an **environmental, social or quality certification or plan to apply for one**. Certification brings a bonus point in I&P's impact rating system. I&P encourages the adoption of certification when relevant.

REPORTING ON INCIDENTS AND EXERCISING REMEDIES

- As soon as possible, I&P reports to investors any serious incident involving portfolio companies that result in loss of life, serious injury, material effect on the environment, or material breach of law, and promotes appropriate Remediation actions.
- If the investment team becomes aware that an investee company is in actual breach of key ESG requirements, they shall
  - Promptly notify I&P management and concerned governance bodies;
  - In consultation with them, require the Investee Company to undertake, within a specified time-frame, Remediation Measures necessary or appropriate to remedy such breach.

PRINCIPLE 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately (1/2)

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

DEVELOPING ESG ACTION PLANS TO GENERATE ENVIRONMENTAL 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 these ESG action plans, and a contact person is appointed to oversee the process.
- The action plan is a "road map" setting long term goals as well as short term priorities. It details, for each action, the proposed responsibilities, the timeframe, the level of priority, the expected deliverables or outcomes, the benefits for the firm and the implementation status. To be sustained, ESG initiatives must have a positive impact not only on stakeholders, but also on the company itself: these benefits are discussed with the manager, highlighted in the action plan and quantified, whenever possible. It includes measures that not only improve the social and environmental impacts of the project but also strengthen the company's operational and financial performance.

MONITORING AND SUPPORTING IMPLEMENTATION OF ACTION PLANS

- As far as possible, the investment team provides ongoing support for timely implementation of the action plan. This assistance takes various forms: dedicated research, training, practice sharing with other portfolio companies and resort to outside expertise through technical assistance programs.
- **The action plan is reviewed bi-annually** to assess progress made.
- As board member, the investment team ensures that key ESG considerations are regularly raised and discussed.

PRINCIPLE 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately (2/2)

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

MEASURING ESG & IMPACT RESULTS ANNUALLY

Annual Collection & Analysis of Impact Indicators

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

ENTREPRENEURS

- Share of companies led by Africans and by women
- Age, level of education, years of experience, etc.

EMPLOYEES

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

SUBCONTRACTORS

- Number and share of local suppliers and distributors
- Number of smallholders for agribusiness companies

CLIENTS

- Quantity of goods/services provided (company-specific metrics)
- Number of clients (company-specific)

360° Impact studies (available on I&P's website in the section dedicated to resources)

Regurlaly, I&P conducts in-depth impact studies on a specific partner company or a specific topic, such as the impact of a formal employment contract. A 3- to 4-members team conducts a field survey among local stakeholders to evaluate the company's impacts. Practical recommendations are provided, and followed-up on by the investment team.

INVESTISSEURS & PARTENAIRES

PRINCIPLE 7: Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

I&P is committed to ensuring that sound ESG policies and practices implemented during the investment duration continue under the new ownership.

- Action plans are designed to improve both social and environmental performance as well as financial performance. This ensures the sustainability of the measures since they are also beneficial for the company's future activities (e.g. better working conditions and access to health insurance that reduces turnover and associated costs).

- ESG issues and impact are widely appropriated by entrepreneurs and deeply rooted in business processes. This makes the actions all the more sustainable.

- As far as possible, I&P selects buyers who allow for the sustainability of the company's impacts and ensure good ESG practices. In the presence of several potential buyers, I&P is prepared to make trade-offs on financial profitability and does not necessarily select the largest financial offer.

- The investment team checks the reputation and track-record of potential purchasers and interviews them on their intentions in relation to responsible ESG practices. The investment team will check if there is any ESG or LAB issues (applying the LAB/KYC procedure) with potential buyers.

- Impact management issues are included in exit discussions with the selected purchaser(s) and can be included in legal documentation when possible.

PRINCIPLE 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

ANNUAL REPORTING

I&P publishes annually the ESG & Impact report of its funds, as well as an Annual Impact report.

The reports present the methodology in terms of ESG policy and impact measurement and examines the main results and achievements of I&P's partner companies over the year.

The reports are sent to the investors and publicly disclosed on I&P's website. This allows us to track our trajectory and take further steps to improve our performance.

SHARING OUR EXPERIENCE

I&P regularly publishes studies and reports addressing concrete issues related to its expertise: impact investing, SME mentoring, private equity....

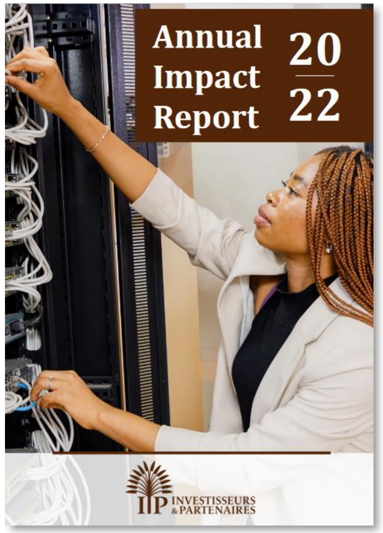
In 2022 and 2023, I&P published:

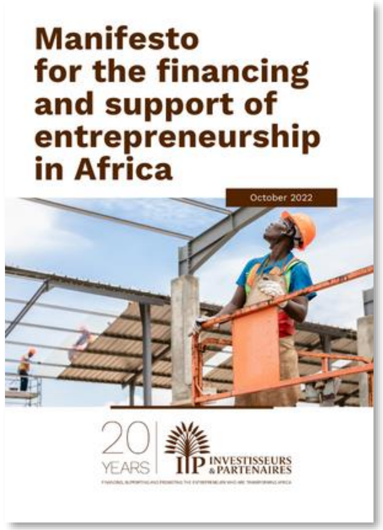
- A manifesto for the financing and support of entrepreneurship in Africa
- A study on the edupreneurs in Sub-Saharan Africa

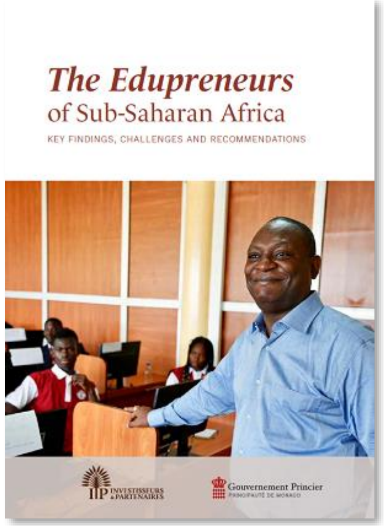
IN-DEPTH IMPACT STUDIES

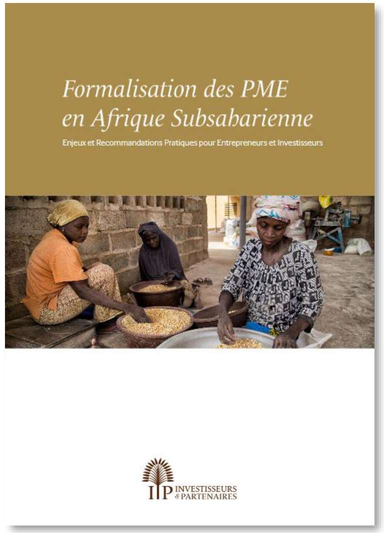
I&P conducts in-depth impact studies on one or several companies, based on field research. The studies focus on the social and economic impacts of the companies or a specific topic and are available on I&P's website.

In 2019, I&P published a summary report on the challenges and impacts of SME formalization in Sub-Saharan Africa. It is a practical document for entrepreneurs who wish to get formalized and for investors and African governments seeking to promote a formal entrepreneurial sector.









INVESTISSEURS & PARTENAIRES

PRINCIPLE 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

The extra-financial committees are composed of independent members and regularly consulted.

Its role and responsibilities include reviewing the extra-financial policy and specific goals and review the annual ESG and Impact assessment.

The members composing the committee are independent and qualified and meet at least on an annual basis. They are independent of operations and the investment decision process.

IPAE2 Extra-Financial Committee

Verification : July 2020 - They approved the alignment with the Impact Principles and the verification summary report after the extra-financial committee held in June 2020 where we have presented the alignment and the last annual ESG and Impact report. The verification report is signed.

Last meeting: 13/06/2022 ; Given the absence of a significant change in methodology, we did not conduct a new independent assessment by the committee this year. The committee reviewed the annual ESG and impact report and provided input and comments. They emphasized the high quality of this report and the continued progress made

Next verification: The next verification will be done in 2024.

Members

- Natou Bamba Colon, CEO of Founder and CEO of ICG consulting
- Mariam Djibo, CEO of Advans Cote d’Ivoire
- Michel Jacquier, former Deputy CEO of the French Development Agency (AFD)
- Swaady Martin, Founder and Chairman of Iswara

INVESTISSEURS & PARTENAIRES

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www.ietp.com

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