

# FINDEV CANADA TRANSACTION SUMMARY

## AFRICAN DEVELOPMENT PARTNERS III (ADP III) – DEVELOPMENT PARTNERS INTERNATIONAL (DPI)

*This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) performed, potential risks identified, and related mitigation measures to be implemented.*



### Transaction Description

ADP III is a private equity fund focused on established and growing companies targeting Africa's growing middle class. It is the third fund of Development Partners International (DPI), which serves as a key source of large-scale investments that provide capital to spur growth across the continent.

### Transaction Details

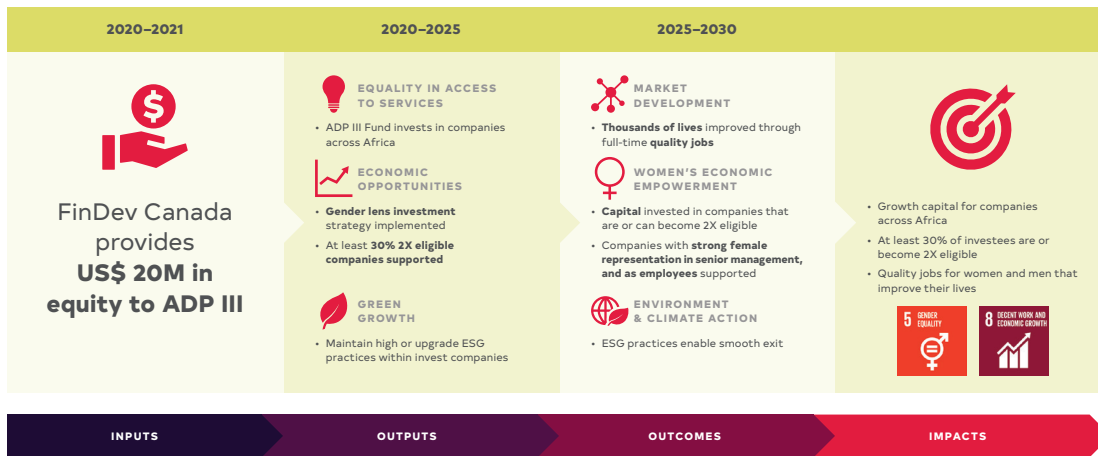
<b>COUNTERPARTY</b>	African Development Partners III Mauritius L.P. (the "Fund", "ADP III")
<b>DOMICILE OF INCORPORATION</b>	Mauritius
<b>DOMICILE OF OPERATIONS</b>	Multiple countries across Africa
<b>TERM OF FINANCING</b>	10 years
<b>SECTOR</b>	Financial Industry
<b>IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY</b>	Category B
<b>FINANCIAL PRODUCT</b>	Equity
<b>TOTAL OFFERING SIZE</b>	Not applicable or not disclosed
<b>FINDEV CANADA PARTICIPATION AMOUNT</b>	USD 20 million
<b>DATE OF TRANSACTION DISCLOSURE</b>	16/04/2020
<b>DATE OF TRANSACTION SIGNING</b>	29/05/2020
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	31/08/2020
<b>2X CHALLENGE QUALIFYING</b>	Yes, under direct ("Leadership / Share of Women in Senior Management") and indirect (min. 30% of 2X eligible deals) criteria

## Summary of Anticipated Development Impacts

The development impact value proposition of ADP III fund is to contribute to job creation, climate change mitigation, and gender balance across Africa, as well as increase access to education, healthcare, consumer goods, financial services, retail, and logistics. Its portfolio companies are expected to directly support local market development through expanded employment, especially for women, and economic value-added in the form of taxes, salaries, profits, as well as infrastructure focused on job stability (see the impact theory of change summarizing how ADP III will contribute to FinDev Canada's long-term development impact goals and the UN's Sustainable Development Goals).

Importantly, this transaction is expected to bring liquidity to developing markets in Africa, helping them to recover from the economic and social consequences of the COVID-19 crisis.

### Development Impact Theory of Change of Development Partners International's ADP III Fund



### MARKET DEVELOPMENT

- **Supporting decent employment:** ADP III's portfolio companies are projected to contribute directly to local market development by creating quality employment through full-time equivalent jobs across sectors, especially for women. Through its previous two funds with a similar thesis, DPI made a significant impact on the market by supporting over 34,000 full-time jobs, 29% of which are held by women.

The new capital injection is expected to sustain and create local jobs, as the growth in local companies will require additional employees. DPI plans to actively monitor the job quality and improvement of labor and working conditions of ADP III portfolio companies.

- **GDP contribution through economic value-added:** ADP III portfolio companies are expected to drive positive social and economic impact in the markets of operation. DPI's previous funds - ADP I and ADP II - have generated a significant economic value-added through their investees that in 2014-2019 alone have cumulatively paid US\$764M in taxes.

## WOMEN'S ECONOMIC EMPOWERMENT

- **Providing multiple opportunities for women:** Co-founded by Runa Alam and Miles Morland, fund managers with decades of experience in Africa, and with equal female representation at the senior management level, DPI has been committed to gender balance, equality and diversity in its portfolio companies, as well as within its team. With ADP III, DPI strengthened its commitment by adopting an innovative and comprehensive gender-lens investing strategy which embeds the 2X Challenge criteria in its investment process evaluation and monitoring. ADP III will work with investees to increase women's access to entrepreneurship, leadership, quality employment, and products and services in their portfolio. It will target at least 30% of its capital into 2X eligible companies, i.e. those that are women-owned or led, that maintain a high level of female employment, or that design products that specifically benefit women.

## ENVIRONMENT AND CLIMATE ACTION

- **Climate change mitigation:** DPI is committed to supporting its investees to reduce their environmental footprint, with Environmental, Social and Governance (ESG) standards being a key part of the investment process: from origination to monitoring to exit. DPI implements a rigorous ESG & impact framework, which features climate action key performance indicators (KPIs). For each investment, DPI identifies the climate change impacts, as well as potential energy and water efficiency impacts, and includes them as part of a detailed ESG action plan designed to align investees with the IFC Environmental and Social Performance Standards. DPI is a signatory to the UN Principles for Responsible Investing and to the IFC Operating Principles for Impact Management. ADP III is expected to adhere to these high ESG practices, upgrading them as needed, within its investee companies.

### Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

Environmental and Social (E&S) impacts associated with ADP III will depend on the sectors of investment, scope of individual investment supported, and geographic context. The E&S risks are expected to entail labour and working conditions, occupational health and safety, and some environmental impacts such as the generation of waste, waste water, and air emissions.

Overall, the potential adverse E&S impacts are expected to be limited, generally site-specific, largely reversible, and readily addressed through impact assessment and application of standard mitigation. For this, DPI has put in place an appropriate Environmental and Social Management System (ESMS), requiring the application of international standards (e.g. IFC Performance Standards) on all of their investments. FinDev Canada has conducted a review of DPI's ESMS and recommended a series of action items that help align the Fund's management system with international best practices. When applied appropriately, the ESMS should ensure consideration of the key E&S risks, including gender and human rights-related risks, both in the investment assessment process and their timely mitigation.

The Fund's Advisory Committee, composed largely of DFIs, will also provide feedback and guidance on ESG issues related to the Fund's investments.