

FINDEV CANADA TRANSACTION SUMMARY

African Development Partners III Mauritius L.P. ("ADP III" or the "Fund")

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) assessment 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. FinDev Canada had committed US\$20M to the Fund in May 2020. The present transaction is a US\$ 10M top up investment in the Fund, to increase our commitment to US\$30M.

Transaction Details

COUNTERPARTY	African Development Partners III Mauritius L.P. (the "Fund", "ADP III")
DOMICILE OF INCORPORATION	Mauritius
DOMICILE OF OPERATIONS	Multiple countries across Africa
TERM OF FINANCING	10 years
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category B
FINANCING PRODUCT	Equity
FINDEV CANADA TRANSACTION AMOUNT	USD 10 million (top up for a total of USD 30 million)
DATE OF TRANSACTION DISCLOSURE	April 20, 2021
DATE OF TRANSACTION SIGNING	June 30, 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	October 14, 2021
2X CHALLENGE QUALIFYING	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 quality and security. The impact theory of change summarizes how ADP III will contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals (SDGs), particularly SDG 5 "Gender Equality", SDG 8 "Decent Work and Economic Growth" and SDG 13 "Climate Action".

Barriers:

- 59% of working-age Africans are employed, but 70% are still "working poor"
- Many employed people in Africa have precarious or temporary work that offers limited access to health care and social protection, and inferior working conditions
- From the employed group, 86% work in the informal sector, unprotected by labour legislations
- Women are more likely to work in the informal sector in developing countries, and are therefore more exposed to vulnerable situations

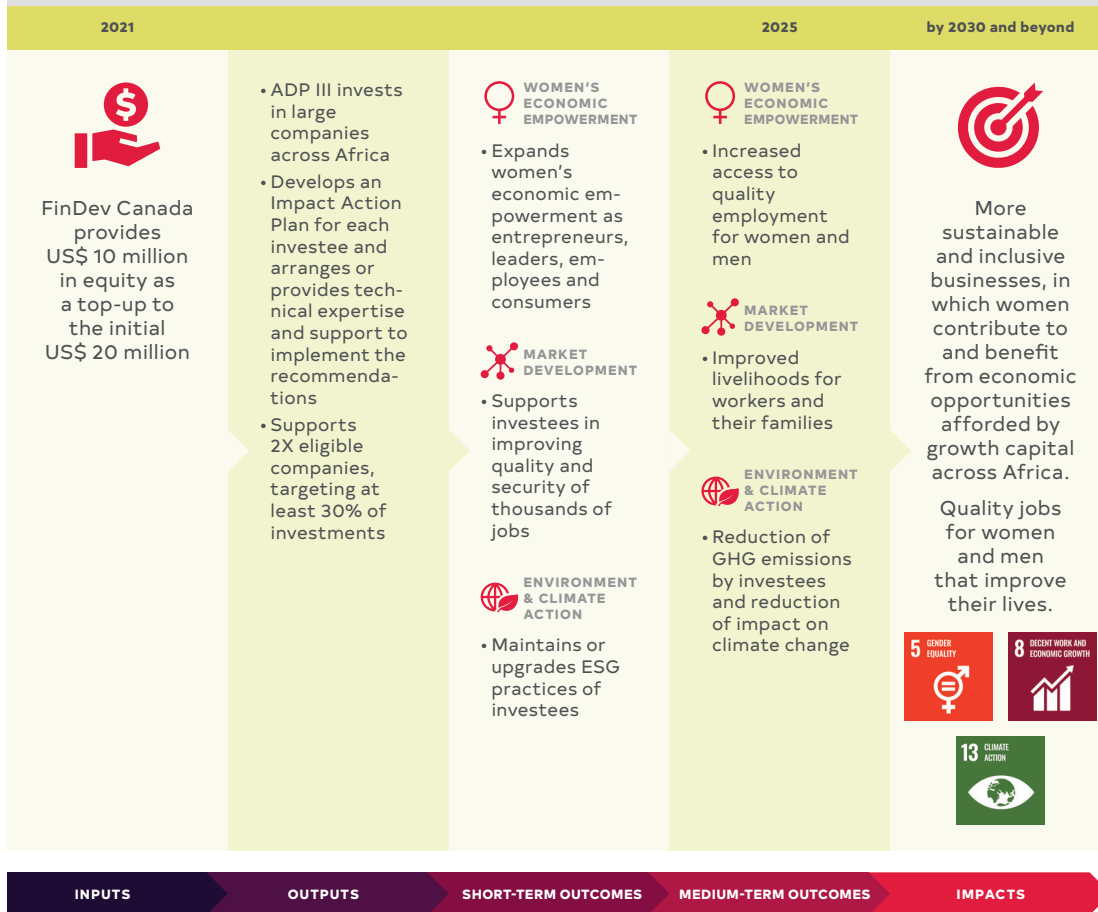


Figure: Development Impact Theory of Change of Development Partners International's ADP III Fund.



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. 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.



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 significant 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, which emerged as a 2X Flagship Fund¹ for Africa, will work with investees to increase women's access to entrepreneurship, leadership, quality employment, and products and services in their portfolio. It expects to channel 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.

¹2X Challenge, Championing Economic Opportunities for Women in Africa, 2020

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

ADP III was initially reviewed in March 2020, in accordance with the FinDev Canada's Interim Environmental and Social (E&S) Assessment Policy. 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 and manageable, 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. The Fund's Advisory Committee, composed largely of DFIs, will also provide feedback and guidance on ESG issues related to the Fund's investments.

In March 2021, the Fund's investment committee memos for two new investments were reviewed to assess the implementation of the Fund's ESGMS, including their capacity to identify gaps and propose comprehensive environmental and social action plans for investee companies to ensure alignment with international standards. In April 2021, the Fund's annual ESG report and ESG annual questionnaire for investees was reviewed alongside an E&S incident report and found to be aligned with their ESGMS guidelines and FinDev Canada's expectations. Given this, the Fund is in compliance with their commitments to FinDev Canada from an E&S perspective. This review has been completed in accordance with the FinDev Canada's Environmental and Social Policy.

The following International Finance Corporation Performance Standards were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts; and
- IFC Performance Standard 2: Labor and Working Conditions.