

FINDEV CANADA TRANSACTION SUMMARY

Energy Entrepreneurs Growth Fund ("EEGF")

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

EEGF is an innovative investment fund that provides financing to early and growth-stage companies operating in the access to energy ecosystem in Sub-Saharan Africa. It is managed by Triple Jump, an impact-focused investment manager, established in 2006, that provides investment opportunities in emerging markets. In addition, the Fund has hired Persistent Energy Capital, a leading venture builder in the energy access sector in operation in Africa since 2012, as an advisor to provide operational support to the individual investees. This is the first transaction that FinDev Canada is underwriting as part of the recently launched 2X Canada: Inclusive Economic Recovery, a facility administered by FinDev Canada and funded by the Government of Canada through Global Affairs Canada. The participation of the 2X Canada Facility may contribute to mobilising additional investor capital. The overall funding will help address the energy needs of African women and men consumers and entrepreneurs, as well as promote gender-inclusive practices within EEGF portfolio companies.

Transaction Details

COUNTERPARTY	SDG Investment Fund S.A., SICAV-RAIF through its sub fund, the Energy Entrepreneurs Growth Fund
DOMICILE OF INCORPORATION	Luxembourg
DOMICILE OF OPERATIONS	Sub-Saharan Africa
TERM OF FINANCING	12 years
SECTOR	Green Growth
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-2
FINANCING PRODUCT	Junior and Senior Notes
FINDEV CANADA TRANSACTION AMOUNT	USD 8 million
2X CANADA TRANSACTION AMOUNT	USD 5 million
DATE OF TRANSACTION DISCLOSURE	01 October 2021
DATE OF TRANSACTION SIGNING	28 December 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	28 March 2022
2X CHALLENGE QUALIFYING	Yes, under direct (leadership and employment) and indirect criteria (min. 50% of 2X eligible deals)

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to support growth-stage small and medium enterprises (SMEs) in Sub-Saharan Africa to increase access to renewable energy for off-grid businesses and households, including for women-entrepreneurs and women as electricity consumers. This will support climate action by linking off-grid communities to clean energy sources, increase gender equality and women's economic empowerment through access to electricity and opportunities it provides, and promote local job creation through SMEs (see the impact theory of change summarizing how EEGF will contribute to FinDev Canada's long-term development impact goals and the UN's Sustainable Development Goals). Importantly, through this transaction the EEGF committed to have at least 50% of the Fund's portfolio companies fulfil at least one of the 2X Criteria, the leading gender-lens investing framework.

Barriers:

- Around 600 million people in SSA lack access to electricity, mostly in LDCs*
- Fewer than 1 out of 3 people in rural SSA has access to electricity, and progress on electrification has been slowed down due to the COVID-19 pandemic
- Women are disproportionately impacted by lack of access to electricity, as they are typically responsible for household energy supply
- Lack of suitable funding for early-growth, small and medium enterprises



* LDCs stands for "Least Developed Countries"
SSA stands for "Sub-Saharan Africa"



CLIMATE MITIGATION AND ADAPTATION

- **Reducing GHG emissions:** EEGF invests in companies in Sub-Saharan Africa offering renewable energy (typically, solar-powered) solutions to meet the electricity needs of households and businesses. This contributes to climate change mitigation by helping to displace fossil fuel-based energy sources, such as diesel or kerosene.



WOMEN'S ECONOMIC EMPOWERMENT

- **Promoting gender & climate-smart investing:** As an investor into the access to energy sector, EEGF aims to intentionally target women end-beneficiaries and women entrepreneurs as consumers of electricity. As women are typically responsible for the household energy supply and often face discrimination to obtain electricity connections¹, the Fund's portfolio companies will address the root cause disproportionately impacting women. In addition, one of the pillars of EEGF's gender-lens investment strategy is to support portfolio companies through the technical assistance facility to improve their gender practices to make them more gender-inclusive. As an employer, EEGF has high gender equality standards and 50% female employee workforce.



MARKET DEVELOPMENT

- **Strengthening local SMEs and increasing employment:** Further to the positive economic impact driven by access to electricity, EEGF estimates that it will create over a thousand jobs in the access-to-energy value chain, including in the least developed countries (LDCs). Furthermore, these companies are expected to reach several millions of beneficiaries through a variety of products such as, for example, solar-powered small retail appliances (e.g. phone chargers, fridges, fans), improving livelihoods and generating additional income for local communities.

¹Rewald, Rebecca, *Energy and Women and Girls: Analyzing the Needs, Uses, and Impacts of Energy on Women and Girls in the Developing World*, Oxfam Research Backgrounder series (2017)

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This transaction is considered to be Category FI-2 (equivalent to Category B), as FinDev Canada's support will be directed towards a financial intermediary the portfolio of which will be comprised of Category B investments involving environmental and social (E&S) risks and/or impacts that are expected to be relatively few, generally site specific, largely reversible, and readily addressed through mitigation measures. EEGF's investments will be in small and medium enterprises (SMEs) located throughout Sub-Saharan Africa, with the target investees being small-to-medium scale off-grid and renewable energy companies.

The E&S risks associated with this transaction lie with the individual companies that EEGF will invest in using the FinDev Canada funds under this transaction, including potential impacts related to land use (namely, habitat and biodiversity loss, community displacement, and/or impacts to cultural heritage), water use, supply chains, electronic waste, labour management, and customer rights and protections. In addition, the Fund's investments in the solar sector have the potential for heightened reputational risk given recent reports of severe human rights violations in the solar supply chain.

The majority of the transaction E&S risks are mitigated by EEGF's strong Environmental and Social Management System (ESMS), which is designed to meet or exceed host countries' standards, as well as their commitment to the International Finance Corporation Performance Standards (IFC PS) and other leading standards and best practices. Covenants will require the Funds' ongoing compliance with these standards and FinDev Canada's Exclusion List, as well as the implementation of action plan items to enhance the Fund's measures related to supply chain risk management. This review has been completed in accordance with FinDev Canada's Environmental and Social Policy.

An illustrative list of key documents reviewed is outlined below:

- EEGF
 - Environmental and Social Policy and Management System (dated July 2019)
 - Technical Assistance Facility Concept Paper
 - Position Statement: Investing with a Gender Lens
 - Example ESG and Impact Memos
 - Supply Chain Review Report (May 2021)
- Triple Jump (as Fund Manager)
 - Responsible Investment Policy (dated March 2021)
 - Code of Ethics (dated June 2020, revised October 2020)
 - Complaints Policy (dated January 2020, revised April 2021)
 - Knowledge and Competence of Staff Policy (dated December 2019, revised July 2020)
 - Remuneration Policy (dated February 2020, revised March 2021)

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

- IFC PS 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC PS 2: Labor and Working Conditions