IMPAKTAFRICA

VALUE CREATION THROUGH ESG

December 2017

RESULTS OF THE FIRST IMPACTPULSE SURVEY

EVIDENCE OF ALPHA THROUGH ESG – INSIGHTS AND CASE STUDIES

INVESTING IN WOMEN

INDUSTRIAL SYMBIOSIS – AN INVESTMENT OPPORTUNITY

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MAPPING IMPACT IN AFRICAN BUSINESSES – THE IMPACTPULSE SURVEY

Establishing a sustainability performance benchmark for privately-owned African companies is paramount if we want to identify the strategic interventions that work, that create value, and can drive businesses and society forward together.

Considering the impact potential harboured by the unlisted sector, the lack of available ESG data is a significant obstacle to achieving African development goals. We set out to tackle this obstacle through a short and simple online survey aimed at private businesses: **http://kudosafrica.com/kudos-pulse.php**

Why it matters

In September 2015, the world agreed to 17 Global Goals for Sustainable Development (SDGs). Among other things, these goals address extreme poverty, inequality and climate change. Achieving them is good for business, which relies on a healthy environment, strong communities, and stable economies.

The global community has responded, and investors, regulators, civil society and the private sector are aligning around the SDGs.

What we asked

The ImpactPulse Survey tests how well African companies are already aligned with the SDGs by focusing on how they manage the aspects we know also link to business success.

We asked businesses to tell us what strategies, practical actions and innovative approaches they have adopted on the following high priority factors:

Commitment to Sustainability	Resource Use
Climate Change	Energy Use
Stakeholder Engagement	Waste Management
Health & Safety	Water Conservation
Freedom of Association	Greenhouse Gas Emissions
Human Rights	Corruption
Sustainable Supply Chains	Community Investment
Empowerment of Women	Innovation

Partnering to reach African businesses

Reaching out to African businesses is a mammoth task which we can't do alone.

Thanks go to our forward thinking project partners who are working with us to build awareness and activate networks across the continent.

The research will continue annually with the aim of providing investors, companies and individuals the tools with which to plan more effective African value creation.

Get in touch to become an **Impact**Pulse Partner, email **pulse@kudosafrica.com**

Supporting impact charities through ImpactPulse

As a thank you for each survey submission, we invited respondents to choose from 3 high-impact African charities to receive a $5 donation.

Read more on page 14.

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ImpaktAfrica - Value creation through ESG is produced by:
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DIRECTOR'S LETTER

KudosAfrica was founded and is based on one simple idea and a slightly more complex objective.
The idea is that the challenges facing a developing Africa can best be met via commercially viable means, and the objective is one of behaviour change. And how does one achieve behaviour change?
You incentivise it!

The business case for 'sustainable' business behaviour is by now self-evident, and the effective management of environmental, social and governance (ESG) aspects of any business can be increasingly linked to financial outperformance. Yet quantifying the individual contributors to this superior performance from a basket of ESG indicators or themes is always going to be a challenge. A recent EY study of over 21 000 companies suggests that having a minimum of 30% women in leadership positions leads to a minimum 6% increase in net profit margins. Gender parity is only one of a large group of ESG indicators that international investors are starting to pay attention to. *(See more on pg 28.)*

I can only imagine a similar dilemma would have faced the team who originally conceived the Discovery Vitality Health programme. 'How do we limit risk by making our client base behave better?' Their success in driving material behaviour change is well documented and the cornerstone of their phenomenal success. In a similar way, if African businesses are made aware of the long-term rewards of responsible business behaviour (financial, social and environmental), and are successfully managed through such a process, the potential for positive impact on our continent is inspiring!

So where do we start? We feel that the first step is to assess the current status quo accurately. How well are privately owned businesses in Africa managing their ESG footprints? Are they aware of the inherent opportunities or the risks of not addressing these issues? How well is the investment community managing this very exciting trend for more responsive and responsible business models?

To this end, **KudosAfrica**, together with strategic partners, launched the Kudos ImpactPulse research project to establish baseline data throughout Africa on just how sustainable the unlisted sector actually is. Benchmarking capabilities is key to any planning scenario and, as we gradually establish this sustainability index, we can empower the private sector to play a significant role in creating a better future for Africa.

I hope this publication sparks an interest or deepens the understanding of ESG in the investment process. Our intention is to move the conversation forward and begin taking on the practical responsibilities that come with the realisation of how powerful an agent for change the investment community actually is!

Enjoy.

Carl Reynolds

Co-Founder & Director
KudosAfrica

VALUE CREATION **THROUGH ESG**

By Louise Gardiner - KudosAfrica

Emerging evidence

A 2012 Deutsche Bank survey of academic research was one of the first meta studies, looking at more than 100 academic papers, to confirm the business case for integrating environmental, social and governance (ESG) factors in investment strategies[1].

A finding in 100% of the studies reviewed was that companies with high ratings for ESG factors have a lower cost of capital in terms of debt (loans and bonds) and equity.

This finding has been confirmed by more recent and exhaustive academic studies published in 2015: one by Deutsche Asset Management and Hamburg University[2], which reviewed the findings of around 2200 individual studies; and another by the Conference Board[3].

In both cases, cost of capital continued to emerge as the most reliable evidence that markets – through the decisions made by banks and investors about risk – are recognizing the value of companies that take ESG seriously. There is even some causal evidence that companies have lowered their cost of capital by communicating about their ESG efforts; while emerging markets show promising outperformance when compared with developed markets.

Many of the studies focus their attention on investments in listed equities, but even stronger positive correlations are emerging in other asset classes, including bonds and green real estate.

Private equity (PE) remains one of the asset classes with the least systematic data analysis, but with possibly the greatest variety of case studies emerging of the tangible value being created through strategic ESG interventions.

For responsible investing (RI) to gain traction in PE, this return on investment (ROI) through ESG needs to be more rigorously tracked to inform effective investment and engagement strategies, and to satisfy growing LP interest.

This article includes some practical suggestions on ways for PE funds to generate and measure the investment value obtained through ESG practices.

> "ESG performance had a statistically significant impact on company valuations and margins.

What is value creation through ESG?

Risk reduction has long been one of the main drivers for integrating ESG issues into the PE investment process. However, PE firms are increasingly in the business of creating value, not just avoiding risks.

A compliance mindset anchors the engagement with investee companies in a risk management frame. Most funds still tend to focus on pre-investment due diligence and post-investment compliance monitoring, which are often perceived more as burdens and costs to a business than added value. This leaves much value unrealised during the life of an investment.

A 2015 CDC good practice guide for fund managers[4] revealed lessons from a global review of over 50 environmental and social due diligence (ESDD) processes undertaken by a wide range of GPs. It found that only 25% of ESDD reports focused on value creation opportunities.

Importantly, the review noted that lack of management commitment and capacity in a company is a key constraint to effectively implementing a corrective environmental and social action plan. This is before any efforts to add value through ESG.

Changing the conversation at the outset of a PE engagement is therefore fundamental to better risk management as well as value creation. Building awareness and mutual expectations between the fund and company management is essential.

Funds that differentiate themselves by doing this well are best placed to attract the increased demand from LPs – such as institutional investors – who view value creation as a priority not only for customers and shareholders, but for a broader set of stakeholders as well.

A 2011 report compiled by WWF[5], sets out the case for broader PE value creation through improvements to the operational efficiency of portfolio company operations. They propose a model that measures value not solely in traditional financial terms, but also in how companies use natural capital (e.g. raw materials and energy) and human capital (e.g. knowledge and skills of staff and suppliers), and thereby the impact they have on communities and natural resources.

In one of the most recent studies, published in October 2017, Boston Consulting Group[6] makes the business case for Total Societal Impact as a lens for companies to create value for shareholders and society. A study of 300 companies across five industries found clear links between nonfinancial and financial performance, and, in particular, that ESG performance had a statistically significant impact on company valuations and margins.

The growing evidence backs up increased recognition of these factors by GPs and LPs[7] themselves. A 2016 ERM global survey of GPs and LPs found that 70% of respondents have seen ESG issues materially impact their investments, both by enhancing value through positive impact to margins and multiples at exit, or eroding value if material ESG risks aren't addressed appropriately.

In the same study, only 5% of surveyed portfolio companies said that ESG value had been fully realised. In the positive case studies, ERM noted that key success factors were ensuring ESG interventions are

- linked to the companies' strategies
- have board-level visibility, and
- the business outcomes are well communicated to relevant stakeholders, including customers and staff.

Opportunities for ESG integration

The most common ways to use ESG to drive value in a business are by i) reducing risks, ii) increasing efficiencies, ii) improving reputation, and iii) innovating to grow market share.

Some interventions create direct, measurable value by reducing costs, improving productivity, or protecting assets. Other interventions create indirect value, such as through increased employee morale and customer loyalty.

Measuring and communicating about these interventions to stakeholders can amplify the positive value created. When done well, and using reliable data, this communication can be used by investors in their valuation models.

Operational savings, such as energy or resource efficiencies with a direct financial implication, are easier to measure and communicate. Less quantitative ESG issues – like governance, human rights, labour practices, and stakeholder engagement – are more difficult to translate in the creation of direct value. However, scenarios and case studies offer a way to anticipate avoidable risks and costs, and to balance these against the capital and effort invested to avoid them.

An example is the value of effective stakeholder engagement to involve affected parties in the design and implementation of projects.

Stakeholder engagement is frequently an activity that is under-resourced and forced to comply with unrealistic timelines – such as when there is pressure to comply with legal requirements involved in project approvals.

Stakeholder engagement professionals regularly complain they could have been far more effective if they had been involved in projects much earlier. A clear understanding of the costs of getting stakeholder engagement wrong – such as project delays or failure to obtain license to operate – assists in calculating the benefits of allocating capital to hire qualified professionals and design a well-thought-out process.

The key challenge in valuation is the access to useful data about baseline performance, expected costs, and actual results of improved performance. Companies and funds often lack the capacity and systems to collect ESG data in a systematic way and connect the data to financial information.

KudosAfrica offers tools and support to funds to improve data collection and analysis with a view to measuring value creation and return on investment.

Different ways to create value through sustainability - an organising framework

The following are some of the main themes in value creation through ESG:

1. Preventing capital erosion and costs through improved risk management:

- Avoid business interruptions from significant incidents.
- Preserve social license to operate by complying with regulations and engaging stakeholders.
- Ensure compliance and resilience in the supply chain to prevent supply interruptions or poor delivery.

2. Increasing efficiencies and enhancing productivity:

- Identify and reduce loss or waste in operations.
- Introduce process or technology improvements.
- Develop employee skills and capacity.
- Change behaviour of staff and customers.

3. Innovating through new products and services:

- Develop new products and services that have positive social and environmental impacts.
- Improve and leverage the sustainability features of existing products to reach new customers or markets.
- Enhance brand credibility and customer satisfaction by demonstrating the sustainability credentials of the business, products and services.

How to integrate these approaches in PE fund management

As pressure grows from LPs to integrate ESG in fund management, more and more GPs are looking to establish internal capacity or engage outsourced solutions.

To enable value creation, these systems should look beyond compliance and establish a collaborative relationship with investee companies right from the start.

The following are features of successful approaches:

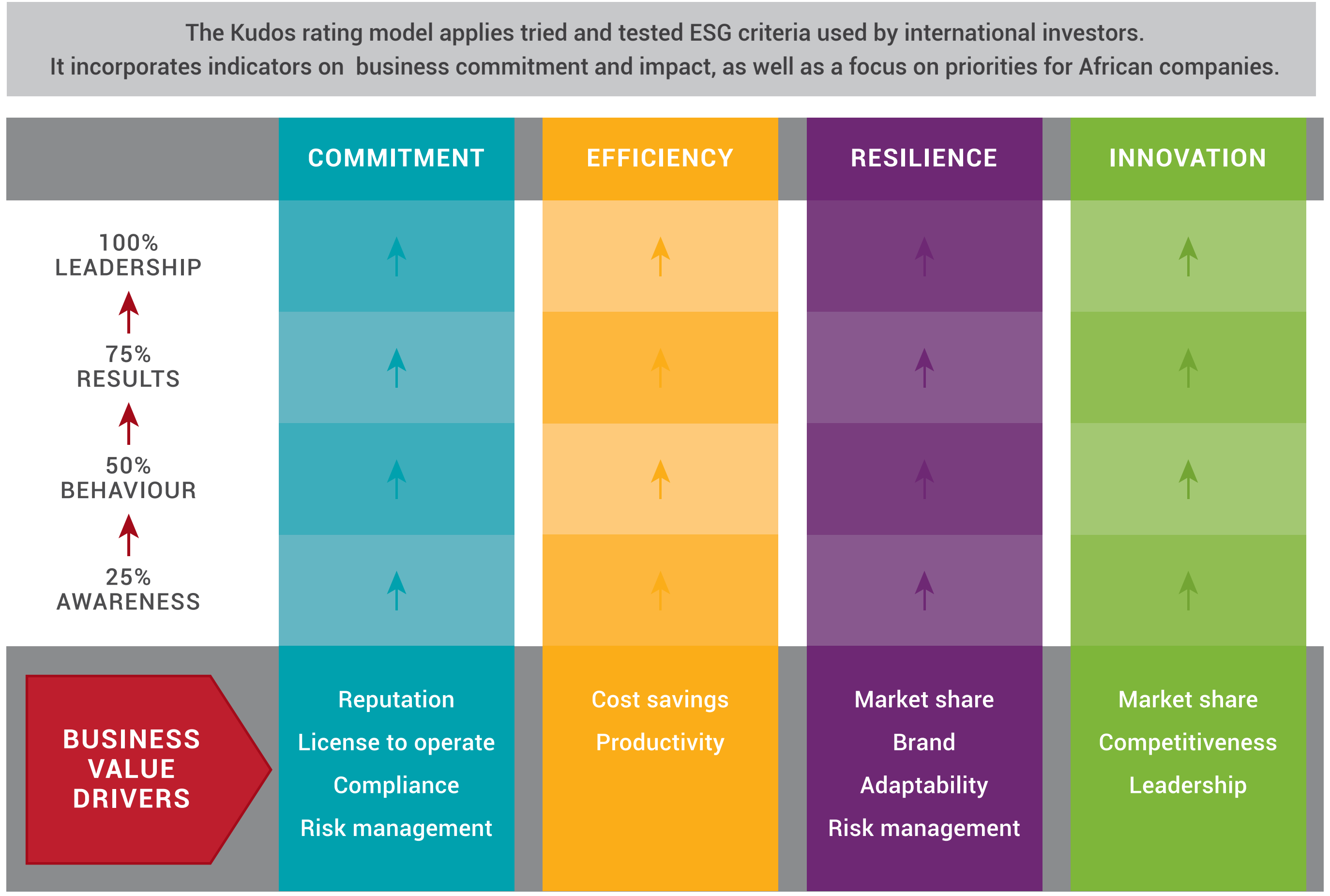
- Clearly communicate your fund's expectations around ESG issues, standards, and monitoring.
- Ensure the right baseline data is captured prior to investment to identify risks and opportunities.
- Agree an ESG action plan and embed this in the legal agreement.
- Embed collaboration between your portfolio managers, analyst teams, ESG analysts, and the investee company.
- Develop a methodology to link ESG with commercial impact and monitor progress.
- Provide ESG implementation guidance.
- Encourage investee companies to communicate with their stakeholders to increase the reputational value created through ESG.
- Compare risks and opportunities at portfolio level and transfer knowledge and innovative approaches from one company to another.
- Analyse and report on portfolio performance to attract and retain ESG-focused LPs.

A model for tracking value and growing performance over time

A KudosAfrica Verified Assessment makes it easier for investors and private companies in Africa to do business and create value through ESG.

The Kudos Assessment is built around 100 questions that cover essential sustainability priorities for companies operating in Africa. These are aligned with the IFC Performance Standards and Sustainable Development Goals (SDGs).

Each question relates to a specific driver of improved business performance through sustainability across 4 themes: Commitment, Efficiency, Resilience, and Innovation (CERI).



Through a simple questionnaire and verification process, we gather reliable information and allocate an overall level of performance to show where a company is on its sustainability journey from "Awareness" to "Leadership".

KUDOS AFRICA - 4 LEVELS OF PERFORMANCE	
LEVEL 1	Your business demonstrates an understanding of material ESG risks and a strategic commitment to sustainability.
LEVEL 2	Your business has put in place the necessary systems to manage ESG risks and improve sustainability performance over time.
LEVEL 3	Your business is improving behaviour and results over time on the most important ESG issues for your industry and region.
LEVEL 4	Your business is a leader in managing ESG issues and sets an example for others through innovative sustainability initiatives and collaboration with peers and stakeholders.

We then prepare an Assessment Report which explains how the business is doing across different dimensions of performance and provides an action plan to move to the next KUDOS LEVEL within the coming year

The KudosAfrica Assessment and Verification is the simplest way to see how well a company is doing on ESG and plan next steps. By assessing a company's performance on the most material issues, while balancing the realities faced by African companies, we help funds navigate ESG scenarios and make sound business decisions based on credible data.

Finally, through annual progress reviews and practical tools, we help both companies and funds to promote continuous improvement of ESG factors over the course of investments, and ultimately help achieve more sustainable impact by African businesses.

For more information, visit **www.kudosafrica.com**

[1] Deutsche Bank (2012) Sustainable Investing: Establishing Long-Term Value and Performance, **https://www.db.com/cr/en/docs/Sustainable_Investing_2012.pdf**

[2] Gunnar Friede, Timo Busch & Alexander Bassen (2015) ESG and financial performance: aggregated evidence from more than 2000 empirical studies, Journal of Sustainable Finance & Investment, **http://www.tandfonline.com/doi/pdf/10.1080/20430795.2015.1118917**

[3] Matteo Tonello, Thomas Singer, The Conference Board (2015) The Business Case for Corporate Investment in ESG Practices, **https://corpgov.law.harvard.edu/2015/08/05/corporate-investment-in-esg-practices/**

[4] CDC (2015) Environmental and social due diligence: mitigating risks, identifying opportunities

[5] WWF (2011) Private equity and responsible investment: an opportunity for value creation

[6] Boston Consulting Group (2017) Total Societal Impact: A New Lens for Strategy, **http://image-src.bcg.com/Images/BCG-Total-Societal-Impact-Oct-2017-R_tcm9-174019.pdf**

[7] ERM (2016) ESG: The Multiplier Effect, **https://www.erm.com/globalassets/documents/publications/2016/esg-the-multiplier-effect-an-erm-report.pdf**

TAKING THE PULSE OF AFRICAN BUSINESSES

By Koen Van Noorden - KudosAfrica

ABOUT THE SURVEY

While ESG performance is fairly well documented among large listed companies, there is still a lack of data on sustainable practices among unlisted, private companies in Africa. Establishing a robust database of such activities is essential for both businesses and investors. It will enable companies to find out for the first time what their peers are doing in terms of key sustainability topics and learn from innovative approaches. And it will enable investors to better assess ESG risks and engage with companies to unlock value creation.

With that in mind, KudosAfrica launched a short survey in 2017 that focuses on the top sustainability issues identified by businesses, investors, and a wider community of stakeholders. The survey was designed to take just 10 minutes to complete, recognizing that businesses have many other competing priorities. The survey focuses on practical management responses that are indicators of good governance, business resilience, and innovation.

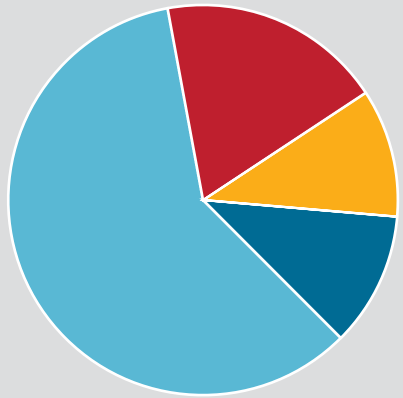
It also tests how well African businesses are already aligned with the **United Nations Sustainable Development Goals (SDGs).**

Early results have been inspiring. Different from listed companies that are required to report on ESG factors and often do so as a marketing strategy, we found that unlisted businesses, across industry, location and size, all seem to demonstrate a humility about their current sustainability efforts.

They nevertheless show understanding of the issues at stake and a genuine interest in identifying practical ways to improve.

The survey will be ongoing and aggregate results will be shared publicly on a regular basis to keep investors and industry up to date on developing trends.

WHO RESPONDED?



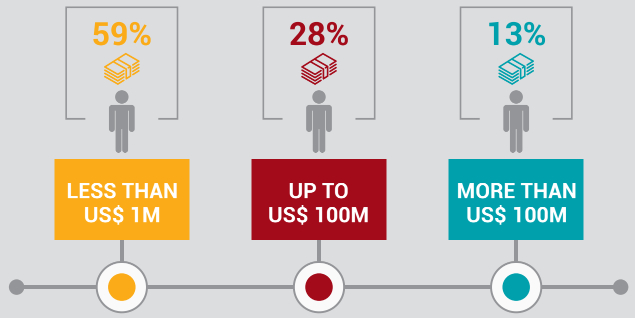
We received a total of **54 responses** from **15 different industries.**

- Financial & Insurance services (18%)
- Trade - Wholesale & Retail (14%)
- Manufacturing (12%)
- Other

80% of respondents listed their headquarters as being located in South Africa, of which 60% had operations in at least one other African country.

In addition to South Africa, the top 3 mentions were Namibia, Kenya, and Nigeria.

In terms of size, just over half of respondents were from companies with a turnover of less than US$ 1M, and 13% represented companies with turnover of over US$100 million.



15% Of responding companies have over 500 employees, 37% have between 10 and 50 employees, and 30% have less than 10 employees.

WHAT WE FOUND

We found the drivers and attitude to sustainability differed from the listed sector. There was less bravado around how innovative they are socially or environmentally, with less focus on corporate social responsibility (CSR) for PR purposes. This reflects a credibility in the responses which compares favourably with practices of green washing in many other parts of the private sector.

Importantly, almost all respondents made it all the way through the survey, even though many aren't yet measuring key aspects like energy, water, greenhouse gas emissions, waste sent to landfill, and recycling.

Climate change was a noted driver of interest. Regulatory changes **(such as a carbon tax or limits on greenhouse gas emissions),** drought and commodity scarcity were cited most often as the risks that respondents see for their businesses.

On the flip side, very few had any initiatives in place to either reduce their greenhouse gas emissions or water use. This points to low market maturity on these issues and significant opportunities for investors to help drive increased awareness and management measures.

29 Respondents (53%)
said they were looking to differentiate themselves among buyers and customers.

The same number said that access to finance is a driver for being more sustainable.

35%
Have installed water and energy efficiency technologies.

Only
10%
of respondents measure their carbon emissions.

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Behaviour change was one of the commonly mentioned strategies as an important way to bring employees on board and make them feel personally responsible for sustainability goals.

The results demonstrated an earnest willingness and aspiration among companies to differentiate themselves through sustainability, but also a degree of uncertainty.

Corruption remains one of the top-of-mind ESG issues when operating in Africa. We realised the importance of checking for the existence of anti-corruption policies as well as how these have been practically implemented and how companies were responding to cases of non-compliance.

Innovation was a topic we thought could inspire companies to talk about the good stuff they are doing. We asked an open question to capture any particular product or service innovations in the last year that have a positive social or environmental impact. These kinds of initiatives increasingly offer ways for businesses to grow market share and build customer loyalty.

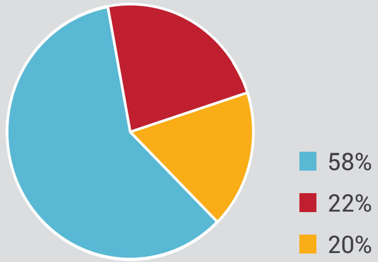
What we found was an encouraging level of innovation and a high level of honesty. 33% Claimed innovations of some sort. These were wide-ranging and included initiatives like sourcing local flowers or recycling waste. 67% said they had not introduced any innovations of this kind. This could reflect low awareness of the opportunities in ESG value creation, competing priorities, lack of capital and time to allocate to sustainability, and/or an opportunity for investors to stimulate dialogue and action on ESG initiatives.

Very encouraging is the fact that
57%
of respondents say they have an official environmental and social sustainability strategy or commitment.

58% Of respondents said they have an anti-corruption policy.

22% Did not have anti-corruption policies.

20% Of respondents didn't answer this question.



46%
Have a health and safety committee with staff represented.

48%
Say they engage with suppliers on environmental and social performance.

33%
Are reducing the impact of solid waste to landfill by recycling.

56%
Invested in the local community by financial contribution.

LOOKING FORWARD

Ultimately, we wanted to uncover the willingness of businesses to design their own strategies for sustainability. Evidence shows that ESG interventions are more valuable when they are designed to fit material risks and realities of the business.

When asked what two sustainability goals they would like to achieve in the coming year, respondents once again demonstrated humility and genuine interest, with a range of innovative goals being cited.

This is an important differentiating factor between listed and unlisted companies, as private companies have the luxury of focusing on what matters most to them in business terms and in line with company values.

The most common goal mentioned was to get to a stage where they can effectively measure and manage their impacts.

This short survey will be ongoing to continue engaging in building a robust database and index focussing on top sustainability issues and indicators of leadership, business resilience, and innovation.

More than

70%

have sustainability goals for next year.

All respondents were interested in continuing this conversation next year.

As one respondent remarked about their experience with the survey:

"The survey gives me a good guideline to implement better and more comprehensive sustainability practices at the organization. The questions will be used as a guideline to improve and I trust that in the near future we will be able to report an improved focus on sustainability."

HOW INVESTORS CAN GUIDE COMPANIES ON **ENERGY AND WATER EFFICIENCIES**

By Richard House - Powerstar

For investors, the issue of business sustainability is vital in making successful investment decisions, particularly in an African context. The link between businesses with sustainable management programs that include water and energy and achieving investment goals is becoming significant.

Both water and energy utilisation globally, and particularly in Africa, has had an impact on the environment and ultimately on climate change.

These resources are experiencing significant growth in demand, resulting in constraints in expansion of economies and more specifically in industrial and commercial development. Energy has had some focus historically but more recently water has been included in this focus.

Water and energy are often managed by default rather than design. Most businesses think of it as an overhead rather than a variable input cost they can control.

> Water and energy are often managed by default rather than design.

The reality is that these resources can be managed effectively, with savings of 10% - 30% attainable through the implementation of a systematic water and energy management system. Businesses with successful water and energy management programs will exhibit a high level of responsibility, involving top management's commitment to a water and energy policy, on implementation strategy, and a regular review process of the water and energy management program.

The implementation of a systematic water and energy management program must be based on a policy set at the highest level of the organisation and will assist with the "getting commitment" stage in the energy management cycle.

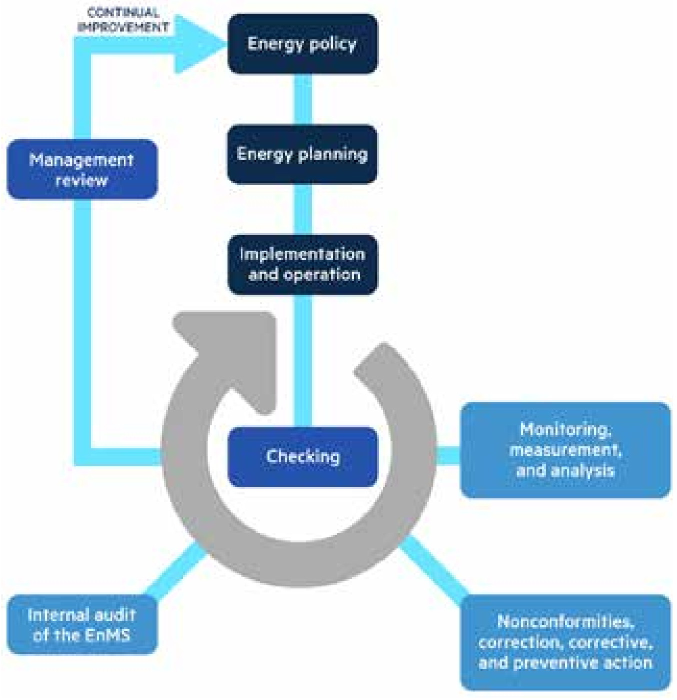
Key to the successful implementation of a water and energy policy is the formulation of a water and energy strategy that outlines how the policy will be put into action. A water and energy strategy would be linked to the business plan, outlining long-term strategic issues and how they will be addressed. The goal of a strategy would be to ensure the viability of water and energy resources in the future.

Evolving out of a strategic plan would be a short to medium term action plan. This would be a costed program of work, with a detailed timetable with specific milestones, showing actions to be handled by specific designated staff.

The water and energy management strategy, programme and activities should be subjected to regular management reviews, including an annual audit of activities, which would be prepared and presented to top management. Water and energy management achievements would be noted in the company's annual report.

Maintaining control of consumption of water and energy requires an efficient water and energy management information system. Key to this is an effective measurement and monitoring system, where water and energy use is metered on a continuous basis and consumption reports are regularly reported and reviewed by business management.

Outcomes of an initial water and energy action plan would be an increased awareness of water and energy use, that leads to behavioural changes within the business.



Typically, these actions are low in capital intensity and result in significant reductions in water and energy consumption and cost. This is achieved by identifying wasteful use of water and energy and adjusting behaviour within the business to eliminate the waste. It is important that the wasteful use of resources is eliminated prior to significant capital investment in water and energy efficiency, as it makes no sense to invest in the efficient use of waste!

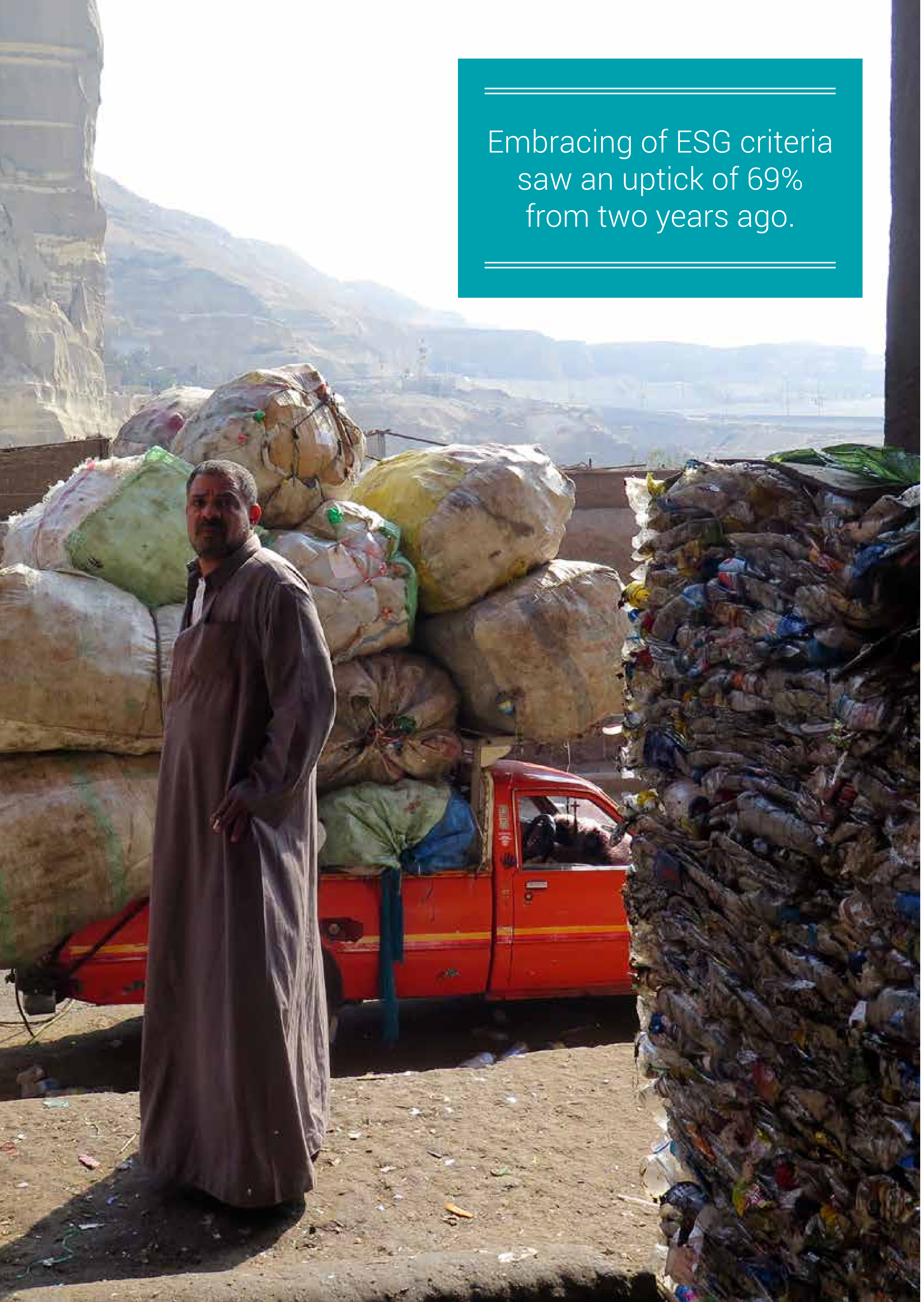
Where there are no mandatory rules or regulations to adopt water and energy management systems, this is often a barrier to the implementation of these programs. In addition, where the prices of water, fuels and electricity are low, this often restricts the consideration of energy and water management in overall business strategies.

Lack of information on the where and how, as well as shortages of technical expertise to utilise water and energy management systems, also often results in water and energy management programs being unsuccessful.

However, investment in effective water and energy management systems result in significant financial savings to a business and produce attractive financial and economic returns. In addition, they produce a positive effect on productivity and competitiveness, as well as increasing the reliability of operations. Efficient use of water and energy reduce the exposure to rising water and energy prices and security of supply. But, most significantly, they reduce the impact of a business on the environment.

Investment in a sustainable business with an effective water and energy management system is key to successfully achieving expected returns on investment. By identifying businesses with implemented sustainability programs, the investment risk is reduced. Alternatively, by identifying the potential to a business of implementation of a sustainable water and energy and water system realises opportunities for a successful investment.

Typically, these actions are low in capital intensity and result in significant reductions in water and energy consumption and cost.



Embracing of ESG criteria saw an uptick of 69% from two years ago.

IMPACT INVESTING **- A NEW LENS**

By Wim van der Beek and Danai Musandu - Goodwell Investments

Impact Investing is not disrupting traditional investing. Rather, impact investing has created new pathways for mainstream investments by shifting perspective on value creation and showcasing new innovative opportunities in the “least likely” or “riskiest” avenues. These avenues have broadened the scope of financial returns to include non-financial aspects. The substantial growth of the impact investing sector suggests that the positive returns associated with wider ecosystem socio-economic benefits are becoming increasingly desirous.

The next generation of investors has planted the seeds for growth in the industry by making financial decisions that are specifically earmarked for expansive, inclusive growth.

Now more than ever, considerations of ESG criteria have become prevalent in defining the "new normal" for the investment profession.

Looking to some of the opportunities that have grown out of impact investing, emerging nations, specifically in Sub Saharan Africa, are creating readily available and scalable business models. These businesses not only yield positive returns (generally above market return) but positive ecosystem impact, and represent the marriage of profit meeting purpose. For instance, the advent of digital innovations in Sub Saharan Africa provides evidence of ripe opportunities for solving local problems with local solutions. These innovations are merely waiting for growth capital.

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These businesses not only yield positive returns but positive ecosystem impact and represent the marriage of profit meeting purpose

Why does changing the lens matter?

Meaningful value addition must include a conversation about inclusive growth. Inclusive growth is about including the majority that is currently excluded. It is growth that is realized through creating opportunities for low-income segments to generate more income. It is not to be confused with poverty fighting measures such as welfare and other ways used to redistribute the benefits of economic growth. Inclusive growth is economic growth that is created differently, by including and improving economic activity that was previously conducted in the informal sector and by creating new economic activity within and among segments of the economy that are un(der)served by the current formal economy. An inclusive economy is the economic activity that enables citizens and businesses to create and retain value within their own communities. Businesses and investments in these opportunities can actively foster inclusive growth.

The premise and rationale for considering inclusive growth is threefold. Firstly, it considers the customer as the custodian of value creation; where a happy customer is a value generating return. Businesses that focus on providing a product/service that actively changes the ecosystem around the end-user by adding value in a way that matches the customers' needs succeed in creating avenues for value. The second; businesses with a growing client base in mass markets actively empower and facilitate other businesses within the ecosystem.

These companies grow their own ecosystem and networks while actively identifying and resolving gaps by enabling positive environments for other businesses. Consequently, more businesses enter local markets, are able to address local issues, which helps consumers continue to grow economic opportunities. Businesses that are successful in creating inclusive growth position themselves as thought leaders and pioneers of their respective industries. Lastly; inclusive growth born through this lens changes the status quo in all sectors. It initiates new structures and/or solutions that create pathways for profitability in financial services and beyond. The rise of mobile money is a key example of where an inclusive business model was born out of necessity for the needs of the mass markets by solving a direct problem in the ecosystem: how can one safely and reliably send money to remote rural areas? Now, key mobile money players such as M-Pesa have paved the way for new entrants within their ecosystem, such as M-Shwari, to provide additional products that fill remaining gaps. The era of mobile money represents the seismic shift in the status quo. The landscape of financial services has become one of innovation, inclusion, competition and collaboration.

With this new global pattern of engagement, we can address major social, political and environmental challenges, while generating sustainable returns.

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Where the opportunities lie

As an investment firm focused on opportunities in emerging markets, specifically in Sub Saharan Africa, we find that the inclusive digital economy is shifting value creation. The power of technology and the mobile phone has rapidly grown opportunities for digital inclusion and accessibility to un(der)served communities. The digital inclusive economy is prevalent and spreading rapidly in Africa. With digital innovation powered by the rapid growth of mobile telephony in Africa, the continent has a leapfrog advantage. Prepaid energy solutions and mobile payment systems are examples of innovations that are scaling successfully in Africa and creating inclusive economies. Enabled by the mobile revolution, this first wave of technology driven inclusive innovations are demonstrating their full potential across Africa and from there to the rest of the world.

Young African entrepreneurs are building tech-savvy digital infrastructure to serve the needs of the majority market by creating bridges between the informal and formal segments of the economy. Investment opportunities such as Nomanini, a South African firm expanding into several African countries - exhibit the exact power of technology used to build bridges and partnerships. Nomanini provides software solutions to manage merchant agent networks enabling informal merchants to sell airtime, other digital services, and handle micro-payments. Through the Nomanini platform, networks of merchants and agents across Africa can be better managed and served by distributors, mobile operators and banks. Through this platform, merchants and agents can improve their income generation capacity and their customers have better access to digital services. Another company, WhereIsMyTransport, is building a big data platform, which couples user generated data with data gathered from public transport operators to make formal and informal public transport systems more efficient and accessible for the mass populations in emerging mega cities. These businesses are becoming the beacons of mainstream capital; not only because of their ability to generate profit, but because of their success at entering into new markets with large scale.

By changing our perspective on value creation, we create space for new opportunities. Impact investing is the new lens, the wider consideration, and the expansion of value addition. Once we readjust our thinking and put to work capital; we enable the gears to turn in budding markets that have been untapped, by serving the direct needs of mass populations. We enable economic agency by allowing self-determination, the choice for mass markets to place value on what is deemed valuable in their eyes. Making the invisible hand visible.

INVESTING **IN WOMEN**

By Faith Khanyile and Nicola Gubb - Women's Development Bank

OVER THE PAST 25 YEARS WOMEN'S DEVELOPMENT BANK (WDB) INVESTMENT HOLDINGS HAS BEEN A GAME-CHANGER IN THE FIELD OF WOMEN EMPOWERMENT AND CREATING SPACE FOR WOMEN LEADERS AROUND SOUTH AFRICA'S BOARDROOM TABLES. FAITH KHANYILE AND NICOLA GUBB SHARE THEIR INSIGHTS INTO TRANSFORMING THE CORPORATE ARENA.

WDB Investment Holdings (WDBIH) has an impressive track record that stretches back 20 years and the company's leadership team firmly believes that empowering women creates solid and sustainable business value for a company and its investors.

CEO Faith Kanyile says one needs to look at new research from Petersen Institute for International Economic Research and EY, which bolsters the case for gender diversity in corporate leadership teams.

Analysing 21,980 global, publicly traded companies in 91 countries from various sectors and industries showed that having at least 30% of women in leadership positions, or the C-suite, added 6% to net profit margin. Khanyile says, "The study looked at women in three positions: CEO, board and members of the C-suite. The C-suite results confirm that more women in senior positions translates to higher profits."

Citing a recent EY study, Khanyile points out that women drive 70% to 80% of all consumer purchasing decisions through a combination of their own purchases and influence, and that the global income of women is predicted to reach over $18-trillion by the end of 2018.

Diversity and accountability

Khanyile says businesses need to acknowledge the evidence that diverse leadership teams bring different and complementary thinking and approaches to innovation and problem solving.

She says, "In addition, the markets and clients that are served by companies are diverse (culturally, geographically and gender) and for any company that wants to retain a sustainable competitive advantage and performance, it must take into account different perspectives, cultures and insights in serving its markets and stakeholders."

In her view, the 20th and 21st centuries have seen an unprecedented move towards demand for greater accountability from companies, not only towards their shareholders, but other stakeholders such as labour, government, customers, communities and society at large.

Engaging effectively with company executives

What steps and strategies can an investor use to engage effectively with company executives? For Faith Khanyile and the team at WDB Investment Holdings, it's very important to "set the tone" right up front.

"By this we mean that our commitment to the empowerment and advancement of women is clearly articulated in the initial discussions with the management team of the prospective investee company," she says.

"We also take a long-term approach to transformation and see it as a process and not an event. A misalignment of values has seen WDB walk away from an investment opportunity."

Playing a part in the strategic direction of a company

Khanyile explained that WDB Investment Holdings seeks to acquire a significant minority interest in its investee companies, along with at least one board seat. "This enables us to play a role in the strategic direction of the company and ask the necessary questions around transformation and the promotion of gender equality at a senior level. An additional strategy would be to ensure that your board member is also a member of the nominations committee of the board, which conducts the interviews and makes recommendations for new directors to the Board."

"WDB has also facilitated the recruitment of senior women executives into some of our investee companies using our network of contacts and understanding of what the management teams are looking for. We believe it's important that an organisation has senior women role-models that younger women can follow or be mentored by," she says.

Inclusion in the workplace makes business sense

Khanyile says "WDB is of the belief that by including women in the workplace, and on boards, and encouraging them to own their own businesses, we are helping to drive greater involvement and inclusion in the economy, and that makes business sense." She points to research as well as common sense: "If 52% of the population is not participating in the economy, then this is a massive opportunity lost!"

Current challenges

Nicola Gubb, Chief Investment Officer at WDB Investment Holdings, says an important consideration in relation to female employees is their multifaceted life, with numerous commitments that fall outside of the workplace.

"There are various ways in which these challenges can be accommodated, such as flexible working hours and the ability to work from home if necessary.

"There are some financial services firms that have implemented a flexible or part-time employment regime for working mothers. This enables the firm to hold on to the skilled women by allowing them to meet family commitments. This does help to create a supportive environment and increases staff loyalty," Gubb says.

How can women support each other in their careers and in business?

According to Gubb, there are a number of strategies that can create an enabling environment for women to support one another in the workplace. Mentorship programmes are an effective tool for women to support each other and share ideas across companies and sectors.

"WDB Investment Holdings would encourage the male leaders in organisations to champion the gender transformation cause and make it comfortable to talk about, and therefore viewed as less of a threat. It is very important to use forums where men are also given a voice and encouraged to participate in a non-confrontational and positive way."

WDB as a game-changer

Gubb says WDB Investment Holdings has played an important role in advocating for women advancement in its investments. "The WDBIH investment team possesses a wide range of finance, leadership and technical skills, which it brings to bear in its investments. We are active strategic investors and serve on the boards of our investments, where we influence and drive the discussions and decisions around gender diversity and women advancement.The average women representation on the boards of our current portfolio of 17 investments is around 30%, and our target is to increase this number to 50% over the next 5 years."

She says the organisation also works with its investee companies to support women-owned small and medium-sized businesses in their supply value chain through the WDB Seed Fund, an impact equity fund that provides funding and business development support to high-growth SMMEs.

"We have seen significant positive shifts and attitudes within our investments around women's role and ability to make meaningful contributions to their strategic objectives. However, there is still much more work to be done to get women's representation to acceptable levels," says Gubb.

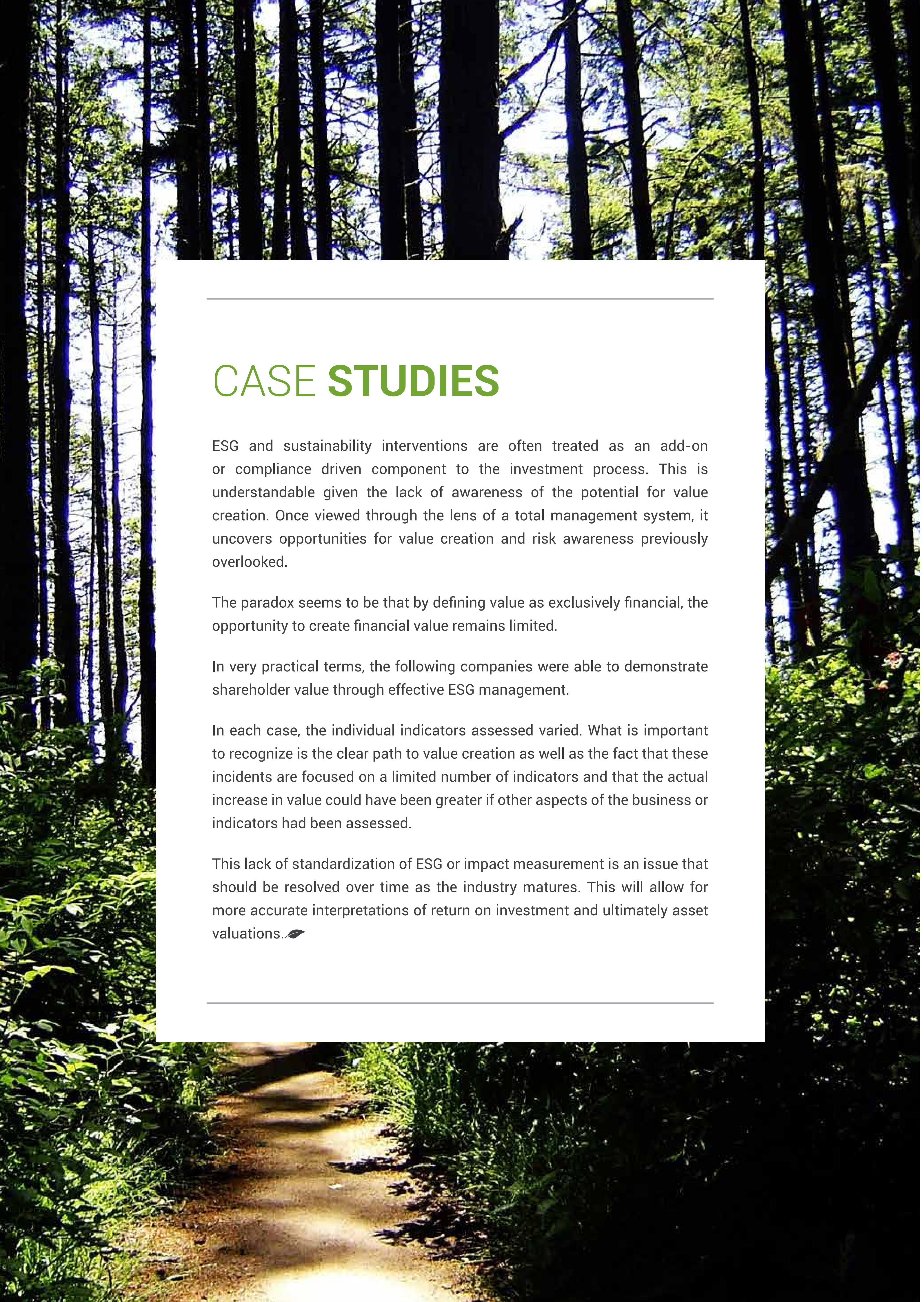
> "If 52% of the population is not participating in the economy, then this is a massive opportunity lost!"

No time like the present

For Faith Khanyile, Nicola Gubb and the team at WDB Investment Holdings, there is no time like the present to get stuck in and be part of transformation.

"The economic power of women can no longer be ignored and companies that embrace diversity can only win in the long run," says Khanyile.

> "The global income of women is predicted to reach over $18-trillion by the end of 2018.



CASE **STUDIES**

ESG and sustainability interventions are often treated as an add-on or compliance driven component to the investment process. This is understandable given the lack of awareness of the potential for value creation. Once viewed through the lens of a total management system, it uncovers opportunities for value creation and risk awareness previously overlooked.

The paradox seems to be that by defining value as exclusively financial, the opportunity to create financial value remains limited.

In very practical terms, the following companies were able to demonstrate shareholder value through effective ESG management.

In each case, the individual indicators assessed varied. What is important to recognize is the clear path to value creation as well as the fact that these incidents are focused on a limited number of indicators and that the actual increase in value could have been greater if other aspects of the business or indicators had been assessed.

This lack of standardization of ESG or impact measurement is an issue that should be resolved over time as the industry matures. This will allow for more accurate interpretations of return on investment and ultimately asset valuations.

The following examples have been adapted from case studies published by SAVCA (Southern African Venture Capital and Private Equity Association) and the UN-supported PRI (Principles for Responsible Investment).

Thanks are extended to SAVCA and PRI.

COMPANY NAME	NEWPACK
LOCATION	Madagascar
SECTOR	Manufacturing (Corrugated cardboard, packaging for transformation industries)
COMPANY INFO	Revenue US$10.4 million (2010); 242 employees (2011); 460 clients

STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Absence of focus and attention to ESG	Hiring external consultant & setting up E&S policy and management system.	Obtaining access to new, sustainability oriented clients. Increased exports from 2.5 to 19.8% Improved brand image.
Resource efficiency	Reduced: - electric consumption by 317 MWH - starch consumption by 14 tons - water consumption by 11,000 m^3	Contributed to cost savings and created new ways to monetize unused outputs (e.g. paper waste).
Health & Safety	Development of company-wide fire plan (53,000$ invested). Trained employees and purchased PPE, Invested in new more energy efficient and less hazardous machinery for employees.	Decrease of 20% of minor accidents and no big accidents since I&P acquisition. Reduced financing and insurance costs.
Overall	Total investments since acquisition in E&S projects: US$220.000.	Yielded total savings or generated additional income to the firm of nearly US$539,000 roughly 5% of Newpack's 2010 revenue. This represents a 145% ROI in 3 years.

COMPANY NAME	PLUMBLINK
LOCATION	South Africa
SECTOR	Plumbing and construction
COMPANY INFO	Revenue: R1.3 billion (2015) Employees: 750 (2015: +5.6% y/y)

STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Corporate governance	Appointed a new management team and introduced a centralized procurement system.	Drove transformation in strategy, turnover effectively doubled over the lifetime of the PE investment.
Resource efficiency	Introduced enterprise resource planning (ERP and IT systems to manage procurement, inventory and debtors more efficiently).	Facilitated the expansion of the business, growth from 21 stores at acquisition to 62 at exit point.
Personnel H&S	Instituted staff development and training initiatives.	(B-BBEE) rating improved from level 8 to level 5, Staff retention grew from 60% to 90% during the investment period.

COMPANY NAME	TSEBO SOLUTIONS GROUP (TSEBO)	
LOCATION	Pan-African (23 countries)	
SECTOR	Services - facilities management solutions	
COMPANY INFO	EBITDA: R508 million (2016) Employees: 34 000	
STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Governance	Introduction of a Social Ethics Transformation Committee and Audit & Risk Committee.	Adoption of best practice in corporate governance (Codes of Good Corporate Governance on responsibility, accountability, fairness and transparency; the UN Global Compact Principles on human rights, labor, environment and corruption).
Health & Safety	Facilitated B-BBEE level 1 accreditation under the new B-BBEE codes.	First large corporate in South Africa to achieve a level 1 rating, with over 50% black ownership and over 30% black female ownership.
Employees development	Implementation of several programs to foster employee development (e.g. black managers, unemployed, disabled, junior staff etc.) and creation of Tsebo foundation to support small suppliers.	Delivered sustainable job creation, employees number increased from 10.000 to 34.000 over the past ten years, with 90% of these employees being unskilled and semi-skilled.
Overall	Acquisitions, strategic guidance and ESG related program implementation.	Tsebo's EBITDA increase from R125 million at acquisition in 2007 to R508 million in 2016. (EBITDA growth of 44% and turnover growth of 27%).

COMPANY NAME	MAISON DU MONDE (PRI)	
LOCATION	France	
SECTOR	Furniture retail	
COMPANY INFO	EBITDA: €43.2m Employees: 5500 (2015)	
STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Governance	Introduction of responsible wood purchasing policy	3rd place award in WWF wood barometer (publicity and reputational benefits).
Product development	Redesigning of Sofa model with social and environmental impact in mind. (Reduced costs; same end user price).	Increase of 20% in sales due to new product introduction.

IMPAKTAFRICA - VALUE CREATION THROUGH ESG

COMPANY NAME	HOTEL LE LOUVRE	
LOCATION	Madagascar	
SECTOR	Hospitality	
COMPANY INFO	Founded:1998 LBO: 2012 Exit: 2015	
STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Resource efficiency	Installing electricity monitoring systems, improving the lighting system.	Electricity consumption reduced by 40%.
Resource efficiency	Installing water monitoring systems increasing gas, water and electricity efficiency raising awareness among its staff on electricity and water wastage.	Reduced water and gas consumption Annual Greenhouse Emissions reduction of 147.000 tons of CO^2.
Overall	Focus on cost savings through energy efficiency.	Total cost savings of €65.800 for year 2015. EBITDA increased 8.8%. Equity value increased by 10% of projected exit value. Le Louvre differentiated itself from its competition while reducing its costs and supporting job creation.

COMPANY NAME	IMPRESS (PRI)	
LOCATION	UK/South Africa	
SECTOR	Packaging	
COMPANY INFO	Revenue: €1.8 billion Employees: 7,500	
STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Cost savings policies	Reducing cost through environmental efficiency and/or improved health and safety.	50% reduction in accident frequency rate, 500 tons of waste recycled a year, 1,800 tons of carbon emissions saved a year.
Overall Valuation	Managing ESG risk, professionalizing senior executives, growing the top line (identify opportunities to improve products and services) and saving money initiatives.	2 million a year in savings: This represented 3% of the €380m of equity value or 5% of the overall €40m in annual cost savings generated at the time of exit.

COMPANY NAME	BALTA (PRI)	
LOCATION	Belgium	
SECTOR	Manufacturing (floor coverings)	
COMPANY INFO	Revenue: €668 million Employees: 3.868	
STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Governance	Addressing energy efficiency issues and installing on site renewable energy.	Cost savings of €1.7 m a year and saving 4,750 tons carbon annually.
Product development	Grow the top line through the development of “green” product ranges.	Since 2011 the range has generated additional revenues of over €4 million.
Overall	Providing training and improving the organizational safety culture.	Resulted in improved safety performance and savings of €1.9 m since 2009 arising from a reduced number of incidents.

COMPANY NAME	SOCOLAIT	
LOCATION	Madagascar	
SECTOR	Dairy products manufacturing	
COMPANY INFO	Employees: 236	
STRATEGIC ISSUE	INTERVENTIONS	VALUE CREATION ACHIEVEMENTS
Governance	Implementation of a formal environmental, health and safety (EHS) management system (e.g. HR and EHS policies and procedures, tracking of key HR indicators and health & safety training).	Improved productivity, lower turnover and better control over the safety of the food produced.
Resource efficiency	Cost savings through measures including a boiler replacement, reduction of water leaks, a switch to energy saving bulbs and improved cleaning methods.	Yielded savings of approximately US$281,000 annually. The initial investment (US$544,000), could be recovered less than two years and see a potential 55% return on investment within three years.
Resource efficiency	Collecting manufacturing by-products (Whey, which represented 60-70% of the waste produced) and sold it to local pig farmers.	Resulted in a new source of revenue, while also reducing costs associated with waste management.
Community/Supply chain	Creation of “The milk road project” : program providing assistance and training to milk collectors and farmers to help increase yields and hygiene and tackle concerns around food safety and volatility in fresh milk supplies.	Resulted in higher margins on products, more control over the supply chain and decreased exposure to price fluctuations for Socolait. Improved the quantity, quality and traceability of the fresh milk Socolait uses in its products, while providing approximately 1,000 small-scale farmers with professionalization tools and a stable source of revenue.

INDUSTRIAL SYMBIOSIS - AN INVESTMENT OPPORTUNITY?

By Kelvin Khisa - Independent Resource Efficiency Consultant

Most private equity investments are guided by the wasteful linear economic development model of mining resources, adding value to them, consuming the resultant products, and dumping wastes into the landfill. Such a model can only be sustainable if we had limitless resources, which is not the case, and that land is always available for landfilling, a position that is not true for most densely populated urban centres of Africa. As a result, there is an emerging international consensus that linear economic development models are wasteful and therefore no longer sustainable, and should ideally be replaced with resource efficient circular economic development models.

Adoption of a circular economic development model will help reduce pressure on the use of virgin raw materials while also eliminating the environmental challenges associated with the landfilling of waste.

Through industrial Symbiosis, it is possible to design, construct, and operate industrial plants in such a way that waste from one becomes a raw material for the other. Doing this helps to divert waste from the landfill. Industrial Symbiosis is an innovative way of industrial development that copies and mimics nature's circular flow of energy and materials that has enabled ecosystems to remain stable for generations. Natural ecosystems are powered by a web of inter-connections in which participating organisms live and consume each other's waste so that nothing useful is lost. Under the quadruple helix collation framework, African Governments, Universities, Research Institutes, Private Sector, and Civil Society should jointly work together to strengthen their innovation ecosystems that will help drive the industrial symbiosis revolution in Africa.

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In Kenya, there is a spontaneous evolution of waste and by-product exchange

In Kenya, there is a spontaneous evolution of waste and by-product exchange in three clusters, namely agro-processing, garment making, and plastics manufacture that all operate within an industrial zone setup. In Agro-processing, the primary manufacturer extracts oil from nuts with the resultant seed cake by-product being used as a raw material for the manufacture of animal feeds. The textile offcuts from garment making are graded and used as boiler fuel as well as in the manufacture of sofa sets and cleaning mops. In the plastics clusters, the tarpaulin plastic off cuts are used for the manufacture of plastic water tanks and chairs.

Specifically,

- (i) the use of 340 tons/year of seed cake by-product as raw material for animal feed manufacturing led to an 80% secondary transport energy savings and 86,427 kg CO2e/year of reduced emissions;
- (ii) 208 tons/year of plastic tarpaulin waste as raw material for making plastic water tanks led to the creation of five on-site plastic reprocessing green jobs; and
- (iii) 355 tons/year of textile fabric off cuts for making sofa sets and on-site steam generation led to the creation of fifteen green jobs and 9% avoided emissions (1,142 kg CO_2e).

Inter-company use of wastes and by-products as raw material inputs reduced the raw material transport costs by over 80%, resulting in a lower carbon footprint. Waste reuse diverted the potential solid wastes from the landfill, created new products and jobs, hence contributing to the country's green growth agenda.

However, most of the zone's material flows were largely linear due to lack of policy and weak infrastructure for waste recovery and reuse.
All this has spontaneously evolved on its own, largely driven by the forces of material supply and demand. The management of the industrial zone can accelerate investments in industrial symbiosis by setting up zone wide infrastructure for waste recovery and recycling. This development has to be supported by extensive material flow research that should help quantify all zone company raw material inputs and outputs in terms of desired products, by-products, and waste streams. This research outcome will be put into a waste exchange clearing house database that will help facilitate waste and by-product exchange through negotiations and matchmaking.

Some of the Kenyan infrastructural limitations for a circular economy include:

- limited application of green and promising business models;
- lack of functional information exchange systems;
- confidentiality and trust concerns hampering information exchange;
- limited reverse logistics to promote waste and by-product exchange;
- and the fact that linear technologies are deeply rooted.

There is also need for influential champions to help spread the industrial symbiosis message across their peers.
These changes can only be anchored in an enabling policy framework for industrial symbiosis that is currently non-existent in Kenya. The country's current legislation is designed to cater for the needs of a "consume-and-throw-away-society" that has to be overhauled to fit into the emerging new world order. Such a policy will inter alia address issues such as:

- green skills development and training, especially in green product design;
- recognition of the value of waste and by-product streams;
- fiscal incentives to encourage businesses to engage beyond their normal supply chain – greening the entire supply chain;
- knowledge of materials likely to be in short supply in the future;
- investments in eco-innovation and new environmentally sound technologies (ESTs);
- improved materials flow data and resource flow mapping;
- support for demonstration sites that seek to encourage eco-innovation and engagement beyond traditional business boundaries.

In order to support this anticipated change in the Kenyan manufacturing sector, there will need to be a change in the rules of the game. This confirms Albert Einstein's conclusion that, "We cannot solve our problems with the same thinking that created them".

In order to promote circular economy thinking among the Private Equity players, attention will need to be put on the following observations. That an industrial symbiosis journey begins with the commitment of top management. Top management should be fully convinced that investing in industrial symbiosis makes good business and environmental sense. This is the single most important step in advancing industrial symbiosis thinking. While selling industrial symbiosis to top management, one should not forget the language of money. This is uniquely important because companies are in business to make money and anything that can help boost their bottom line will be highly welcome.

In the promotion of the industrial symbiosis practice, companies need to leverage team work. Unfortunately, most African companies have teams that are not functional. Such teams will need to be empowered through training and re-training so as to enable them make things happen. Participating companies will need technical assistance to develop functional strategies for dealing with resistance to change (middle management inertia) as rooted wasteful practices are difficult to abandon.

Most African companies have not adequately invested in metering and sub-metering of their material flows. They therefore do not adequately measure what goes into the production process and what gets out, and therefore are not in a position of knowing what they cannot account for. This unaccounted for portion is what becomes the company's liability through environmental pollution. Even for those companies that measure and keep records, they hardly analyze and trend them to inform decision making. African companies should be encouraged to believe that, "what gets measured, gets managed" and everyone in the company should speak with data.

Industrial symbiosis for a company is incomplete without the involvement of everyone.

DOES ESG DRIVE ALPHA IN EMERGING MARKETS?

We have always contended that investing in a portfolio of companies in emerging markets that rate well on Environmental, Social and Governance (ESG) factors need not result in a sacrifice of returns. Our research points to evidence that it can lead to superior returns and that there are intuitive explanations for this.

WALEED HENDRICKS, ESG ANALYST, AND **WIUM MALAN**, INVESTMENT PROFESSIONAL: GLOBAL EMERGING MARKETS, BOTH AT OLD MUTUAL INVESTMENT GROUP.

Sustainability (ESG) is a macro-thematic trend that is reshaping the competitive landscape, and companies that are able to respond to this trend and innovate early on will reap the benefits of stronger growth prospects, enhanced operating efficiencies, stronger social licence to operate, enhanced staff retention, lower cost of capital and, ultimately, a stronger and more sustainable competitive advantage.

They will also reduce operational risk and be positioned towards more sustainable growth, ensuring improved financial performance, which will ultimately have a positive impact on valuations and share price returns.

Our hypothesis is that better-rated ESG companies in emerging markets outperform the lower-rated ESG companies, as well as the benchmark, and therefore incorporating ESG factors when investing in emerging market equities can lead to superior returns.

WALEED IS RESPONSIBLE FOR ESG RESEARCH AND ANALYSIS OF COMPANY PRACTICES AND THEMATIC ISSUES, QUANTITATIVE RESEARCH AND ANALYSIS, THE DEVELOPMENT OF ESG TOOLS AND INTEGRATING ESG FACTORS INTO STOCK SELECTION AND VALUATION PROCESSES ACROSS ASSET CLASSES. HE JOINED THE RESPONSIBLE INVESTMENT TEAM IN 2013.

WIUM IS RESPONSIBLE FOR ANALYSIS AND STOCK SELECTION IN THE TECHNOLOGY, MEDIA, TELECOMMUNICATIONS, INTERNET AND HEALTHCARE SECTORS FOR THE GLOBAL EMERGING MARKETS FUND, WHICH HE JOINED IN 2013. HE HAS 11 YEARS' EXPERIENCE IN ANALYSING STOCKS IN THE EMERGING MARKETS, HAVING PREVIOUSLY WORKED AT ALLIANCEBERNSTEIN FOR SIX YEARS.

QUANTITATIVE RESEARCH

To test our hypothesis, we compared the returns of the MSCI Emerging Markets Index constituents, grouped according to their ESG ratings.

We decided to apply the MSCI ESG Intangible Value Assessment (IVA) Industry Adjusted score to the MSCI Emerging Markets Index constituents from 31 January 2013 to 31 May 2017. We used this assessment tool and period since we believe that the MSCI's IVA ESG score is a very reliable, independent and objective assessment, and to ensure sufficient coverage.

At 31 January 2013, MSCI had 80% coverage (90% by market cap weight) of the MSCI Emerging Markets Index, increasing to 99.83% by May 2017. The score is derived by analysing companies' risks and opportunities that arose from ESG factors. Through an in-depth examination of material issues for the industry and rigorous benchmarking against industry peers, the MSCI IVA ESG score can reveal hidden risks or opportunities that may not be captured by conventional financial analysis.

ESG INTANGIBLE VALUE ASSESSMENT (IVA) APPLIES A THREE-STAGE APPROACH:

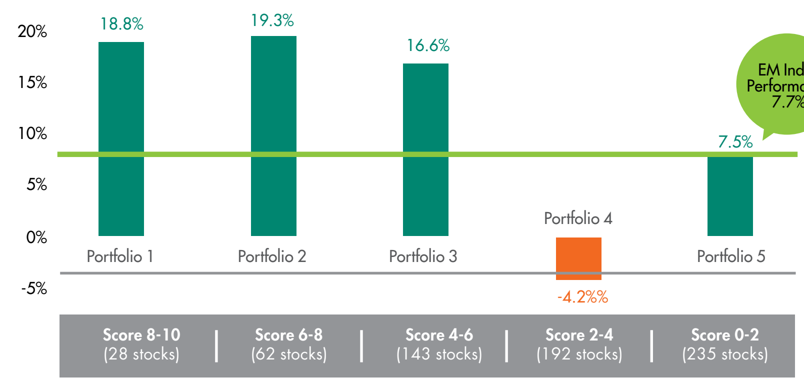
STEP 1: Identify key ESG drivers of risks and opportunities for each industry

STEP 2: Evaluate risk exposure and management

STEP 3: Rank and rate each company against industry peers

The companies in the MSCI Emerging Markets Index were ranked and placed into five portfolios according to their MSCI IVA score: Portfolio 1 (8-10); Portfolio 2 (6-8); Portfolio 3 (4-6); Portfolio 4 (2-4); and Portfolio 5 (0-2). We equal-weighted each portfolio at the start of the analysis, without rebalancing, to allow for price movement in order to see how each portfolio would perform if we held on to the same basket of companies for the duration of the investment period.

CHART 1 **ENERGY IVA PORTFOLIOS:** 31 JANUARY 2013 - 31 MAY 2017 (CUMULATIVE RETURNS, US$)



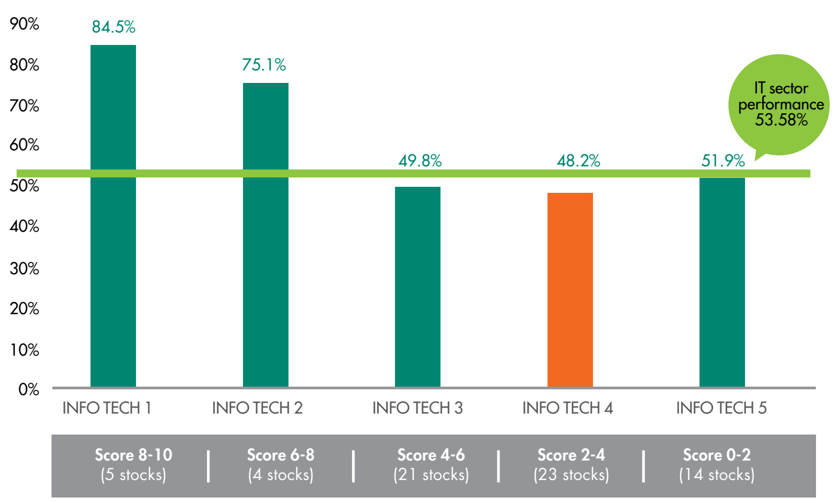
Sources: Old Mutual Investment Group; MSCI

JUST A "GOOD-TIMES" SIGNAL?

These quantitative research findings provided compelling support for our hypothesis. However, we were concerned that it might have been a "good-times" signal that would only add value in bull markets. To test whether ESG factors provide alpha in both bull and bear market conditions, we decided to test two extreme sectoral performances over the same period.

During the period under assessment, the information technology sector showed significant outperformance whereas the energy sector underperformed. The same methodology was applied to both sectors for the same period. And even though the information technology sector as a whole performed well at 53.6%, the companies in Portfolio 1 significantly outperformed their lower ESG scoring peers in Portfolios 2 to 5. Portfolio 1 with 84.5% outperformed the Infotech sector by 30.9%.

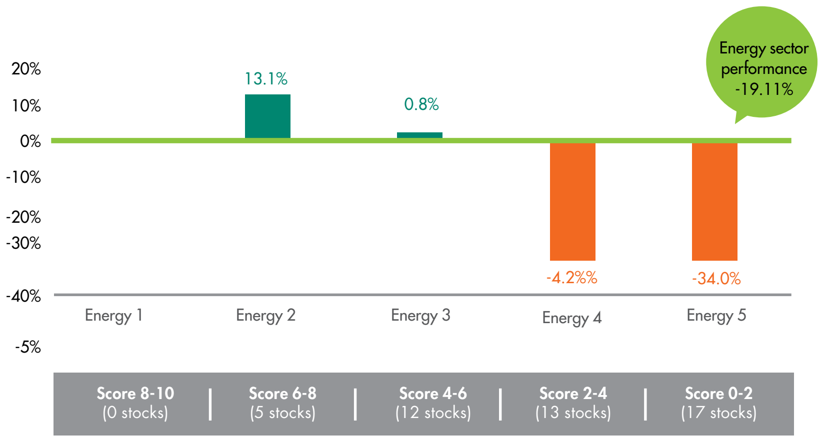
CHART 2 **EM INDEX:** INFOTECH IVA PORTFOLIO 31 JANUARY 2013 - 31 MAY 2017 (CUMULATIVE RETURNS, US$)



Sources: Old Mutual Investment Group; MSCI

The energy sector, as mentioned above, experienced a negative return of 19.1% during the assessment period. However, we can see from chart 3 that even in bear market conditions, the better-rated ESG companies continued to show positive performance. Portfolio 2 significantly outperformed Portfolios 3 to 5, as well as the energy sector as a whole by 32.2%.

CHART 3 **EM INDEX:** ENERGY SECTOR PORTFOLIOS 31 JANUARY 2013 - 31 MAY 2017 (CUMULATIVE RETURNS, US$)



Sources: Old Mutual Investment Group; MSCI

GOVERNANCE IS A KEY PILLAR

Ensuring that the companies we invest in meet our minimum corporate governance requirements is a key pillar (alongside quality and valuation) of Old Mutual Global Emerging Markets boutique's investment philosophy.

To evidence this approach, we provide some detail below on one of the holdings in the Old Mutual Global Emerging Markets Fund, **Taiwan Semiconductor Manufacturing Company Limited (TSMC)**.

TSMC is the world's largest semiconductor foundry, representing around 30% of global capacity. It manufactures leading edge chipsets for nearly all of the global leading electronics companies, including all of Apple's upcoming A11 application processing units for the new iPhone, to be launched in late 2017.

TSMC has been a core holding in the Old Mutual Global Emerging Markets Fund since 2012. It has a very strong competitive advantage through scale, technology, leadership and customer trust and is the leader in an industry with high barriers to entry (due to technology, very high capex and R&D requirements). It also has a highly regarded, experienced and educated management team. TSMC has sustained returns on invested capital at above 25%, with a free cash flow margin that has averaged more than 20% over the past 10 years.

TSMC rated very well in the internal proprietary framework that we use to analyse the governance structures, policies and practices of all companies we consider investing in, scoring 81% against our hurdle rate of 60%.

Old Mutual Global Emerging Markets Corporate Governance Assessment.	Importance	% Score
Value Creation and Capital Management	30	60%
Board and Shareholder Structure	30	90%
Fair Information Disclosure and Management Access	20	85%
Representation of Data (Accounting)	10	100%
Ethics and Social Responsibility	10	90%
Total	**100**	**81%**

TSMC also scored very well on the independent, quantitatively based assessment that was developed by the Responsible Investment team, scoring 5.7, which is much higher than the MSCI Emerging Markets Index average of 4.9.

Responsible Investment Governance Assessment	Weight%	MSCI EM Index Ave.	GEM Portfolio Average	TSMC
AVERAGE SCORE		**4.9**	**5.6**	**5.7**
Auditing	10%	53%	66%	88%
Board Structure and Experience	20%	50%	52%	10%
Capital Structure	10%	70%	76%	100%
Director	15%	51%	64%	83%
Remuneration	15%	38%	42%	24%
Diversity	5%	42%	41%	72%
Human Capital	4%	52%	60%	100%
Governance of Environmental and Social Issues	11%	35%	43%	100%
MSCI AGR rating	10%	52%	56%	22%

At 31 January 2013, TSMC was a constituent of Portfolio 2 in the above analysis. By 31 May 2017 it had improved and would have been eligible to move into Portfolio 1 had we run the split at that time. TSMC delivered a total shareholder return of 121% in US$ from 31 January 2013 to 31 May 2017.

THERE IS CLEAR PROOF OF SUPERIOR SHAREHOLDER RETURNS FOR **BETTER-RATED ESG**

PRIVATE EQUITY AND RESPONSIBLE INVESTING: **TRENDS AND OPPORTUNITIES**

By Mike Davies - KudosAfrica

AFRICA IS ONE OF THE WORLD'S FASTEST-GROWING DESTINATIONS FOR FOREIGN DIRECT INVESTMENT. THERE HAS BEEN A STEADY INCREASE IN DEALS SIGNED IN THE CONTINENT SINCE 2010. HOWEVER, DESPITE RAPID GROWTH IN RECENT YEARS, THE TOTAL POTENTIAL FOR PRIVATE EQUITY (PE) IN SUB-SAHARAN AFRICA REMAINS UNMET.

Many international PE firms are constrained by the limited deal sizes available in the region. However, overall sentiment is buoyant, with relatively strong macroeconomic growth forecast in key markets. This is expected to contribute to more deals and to demand for capital increasing by 8% in 2018[1].

Meanwhile, indications are that interest in responsible investing (RI) - which involves integrating environmental, social, and corporate governance (ESG) factors into investment decisions and monitoring these during the life of a deal - also continues to grow.

GP's are finding new ways to address ESG more systematically, while social pressure for companies to act in line with the triple-bottom-line[1] approach keeps rising, and more studies provide evidence of the benefits delivered by implementing ESG strategies.

> Private equity is under-represented in sub-Saharan Africa and it continues to provide an attractive opportunity for investors

Private equity activity remains strong

PE investments in Africa have more than doubled in the last 8 years according to the Emerging Markets Private Equity Association [1]. According to analysts, the outlook for deal activity is positive and this growth trend is set to continue[2]. These investment opportunities have also shown to offer superior returns. Southern Africa's private equity industry had a compound annual growth rate of 11.4% since 1999.

Growing consumer demand, stimulated by demographic growth, continues to drive investment, especially in key sectors for PE companies, such as financial services, consumer goods, and industrials. According to the Annual Private Equity Data Tracker published by the African Private Equity and Venture Capital Association (AVCA), consumer goods and financials were the dominant sectors of interest in terms of the number of deals between 2011 and 2016.

There were 919 reported private equity deals across the continent between 2011 and 2016, worth a total of US$22.7bn.[3] Southern and western Africa accounted for 49% of the number of deals during this period. The total value of deals peaked in 2014 at US$8.1bn. Although the value of deals below US$250m in 2015 was roughly the same as in 2014, deals valued over US$250m fell sharply. Deals over US$250 increased again in 2016.

Interest is also reflected in fundraising activity, which according to AVCA, was US$4.3bn in 2015, but dropped to US$2.3bn in 2016.[4] More recently, fundraising has picked up with US$2bn recorded in H12017 compared to US$1.1bn in H12016.

Limited deal opportunities a possible risk

Despite recent deal activity, the limited number of deal opportunities is frequently cited as both a challenge and a risk for PE in Africa. The main reasons for the scarcity of deals can be attributed to regional fragmentation in the corporate market and the lack of enough companies capable of obtaining PE investment due to their size.

The Overseas Development Institute has argued that the unused excess capital raised by PE funds represents an "overhang" due to the limited number of investable companies, and that this could contribute to an emerging market bubble [5]

The extent of the problem is evident if one considers the claim by Diana Noble of CDC, speaking at a private equity event in 2014, that there are only 3,187 African-based companies with revenue of over US$50m, of which almost 50% are in South Africa.[6] With many PE firms only looking for deals over US$100m, it is uncertain how long it will take for the funds raised to be invested.

However, the situation seems to be improving. In a more recent report from 2016, the Boston Consulting Group (BCG) claims that there are nearly 11,000 African companies with revenues of US$10 million to US$100 million, assets of US$20 million to US$200 million, and at least 150 staff. This is the fastest-growing segment of African targets[7].

> The Bertha Centre's African Investing for Impact Barometer 2016 has identified assets of US$353.9bn that are managed under a responsible investment strategy across sub-Saharan Africa

Responsible investment (RI) is growing

In addition to the growing PE interest in the Africa region, another significant development over the past decade has been the emergence of responsible investing (RI), both in listed equities and, more recently, in PE. There are now over 200 GPs and 75 LPs that are signatories to the UN-supported Principles for Responsible Investment (PRI).[8]

The Bertha Centre's African Investing for Impact Barometer 2016 has identified assets of US$353.9bn that are managed under an RI strategy across sub-Saharan Africa.[9]

Compared with other regions, the integration of ESG factors in the PE sector in Africa happened at an early stage. This was largely due to the early support provided by development finance institutions (DFIs), which required that GPs demonstrate their ESG credentials in order to satisfy the concerns of DFIs' stakeholders. ESG factors are viewed as at least equally important to PE investors in Africa as in other emerging markets, with even greater importance given to governance issues.[10] However, the PE investment case for ESG integration still needs to be strengthened beyond anecdotal and survey-based evidence.

ESG integration

While the market for RI has undeniably grown, there are questions over the extent to which various PE firms are implementing ESG practices. Many PE investors market the way in which they already employ certain aspects of ESG strategies. However, a majority are still establishing the systems to manage these issues.

This is reflected in the PRI's *Report on Progress: Private Equity 2016*, which found that while GPs use RI practices to market themselves, few make formal agreements in fund formation contracts.[11] Activity levels are high at acquisition, with PE houses sensibly keen to identify potential problems – while 71% of PE house participants include ESG issues in pre-acquisition due diligence, the levels drop to 36% by time of exit.

> Many PE investors market the way in which they already employ certain aspects of ESG strategies.

The PRI suggests three practices that GPs should employ to integrate ESG factors within the organisation[12]:

1. **Commit to ESG integration:** this should involve a formal commitment from fund leadership and include i) the provision of resources, ii) the appointment of a person or team responsible for ESG integration, iii) training for employees on the motivation and practices of ESG integration; and iv) linking ESG objectives to employee evaluation.
2. **Set ESG objectives:** objectives should be set and communicated, and portfolio companies should be monitored by an operations group of consultants. ESG monitoring activity levels reduce during the hold period with ultimately less than 15% of PE houses measuring the difference they've made at exit. This means the value-add of any performance improvement generated through investing in ESG issues is missed [13](PwC, 2017).
3. **Engage with stakeholders:** engagement should include participation in initiatives such as industry associations and engagement with LPs to better understand their requirements.

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ESG barriers

Despite the growing interest, there are a number of barriers to RI and ESG integration. Investors complain that companies do not report sustainability initiatives in terms they can value. There is a lack of common reporting standards. There is also no generally accepted methodology for quantifying the (financial) value of sustainability initiatives to companies and their shareholders.

The expense of undertaking ESG due diligence, whether in-house or through ESG consultants, also continues to be a barrier, particularly for smaller GPs with limited knowledge or skill to assess key ESG topics. Even the most sophisticated PE houses experience challenges in understanding, quantifying and communicating the (non-financial) value that good ESG management can deliver (PwC, 2017).

However, these challenges should not prevent investors and companies from taking steps towards ESG integration. As the PRI notes, GPs might complain about the cost of hiring an ESG consultant to undertake due diligence, but they should reconsider the savings in avoided risks and legal bills.[14] Studies suggest that a focus on ESG issues is a proxy for a well-managed business with a greater focus on long-term risk mitigation (PwC, 2017)

1 The term "Triple bottom line" was coined by John Elkington in 1994 to describe an accounting model that considers financial performance of a company, or "profit", alongside measures for the wellbeing of "people" and the "planet".

[1] BCG, September 2016. Why Africa Remains Ripe for Private Equity. Available at: **https://www.bcg.com/publications/2016/private-equity-globalization-why-africa-remains-ripe-private-equity.aspx#chapter4**

[2] EY. Africa private equity exits continue upward trend. Available at: **http://www.ey.com/za/en/newsroom/news-releases/news-ey-2017-africa-private-equity-exits-continue-upward-trend**

[3] AVCA, February 2016. Annual African Private Equity Data Tracker. Available at: **http://www.avca-africa.org/media/1376/avca-annual-african-private-equity-data-tracker-2016.pdf**

[4] IFC, 2012. Sustainable Investment in Sub-Saharan Africa. Available at: **http://www.ifc.org/wps/wcm/connect/88c8808049a74459b44cf6a8c6a8312a/IFC_Brief_Africa_WEB.pdf?MOD=AJPERES**

[5] Tyson, J.E, September 2015. Sub-Saharan Africa and International Equity. ODI Working Paper 424, p 42.

[6] BCG, September 2016. Why Africa Remains Ripe for Private Equity. Available at: **https://www.bcg.com/publications/2016/private-equity-globalization-why-africa-remains-ripe-private-equity.aspx#chapter4**

[7] Wall Street Journal, 12 October 2015. Africa Risks Bubble in Private Equity Sector, Report Says. **http://www.wsj.com/articles/africa-risks-bubble-in-private-equity-market-reports-says-1444657955**

[8] PRI, 2016. Report on Progress: Private Equity. Available at: **http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/PRI-PE-Report-on-Progress-2016.pdf**

[9] Bertha Centre. The African Investing for Impact Barometer 2016. Available at: **http://www.gsb.uct.ac.za/files/Bertha_ImpactBarometer4.pdf**

[10] Riscura, AVCA and SAVCA, 2014. The search for returns: Investor views on private equity in Africa. Available at: **www.avca-africa.org/media/1115/lp_survey_final.pdf**

[11] PRI, 2016. Report on Progress: Private Equity.

[12] PRI, June 2015. Integrating ESG in Private Equity. Available at: https://www.unpri.org/download_report/3880

[13] PRI, June 2015. Integrating ESG in Private Equity.

[14] Propper de Callejon, D. Integrated Value – A New Private Equity Model for Driving Value Creation. Available at: **http://capitalinstitute.org/blog/crb_paper/diana-propper-de-callejon-integrated-value-investing**

Moving towards integrated value

One perspective on ESG suggests that it entered a new phase around 2012 when an "integrated value" approach emerged. This approach recognises continuous improvement in social impact and environmental performance as a critical driver of innovation and long-term business value creation.[11] It involves a systematic integration of ESG factors across all business activities, from product design to sales, and ensuring that sustainability is embedded into the culture of the organisation. It offers PE funds an opportunity to engage proactively with investee companies on the business case for ESG and enhance the value of an investment from start to finish.

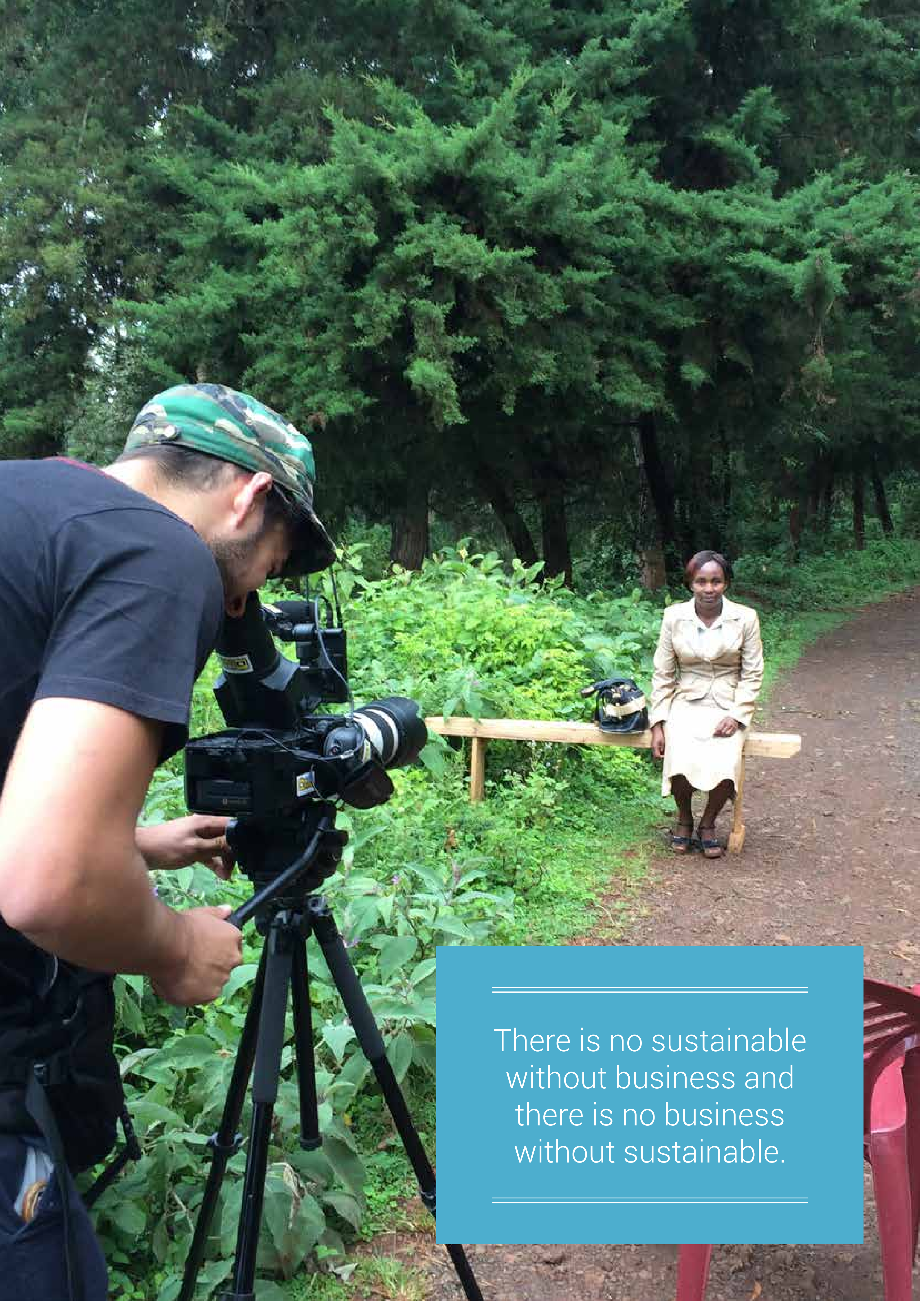
There are a number of steps that PE funds and their investee companies can jointly take to integrate ESG factors into value creation strategies:

1. **Measure, verify and monitor data** – Collecting comparable ESG data is fundamental to ensuring that ESG strategies are evidence-based and aimed at tangible value creation. A rich body of case studies now exists to demonstrate how collecting accurate data on aspects such as energy usage, water efficiency, gender representation, or health & safety incidents, can reveal significant opportunities for high-value ESG interventions. Where possible, data should be consistent and verified to enable investors to monitor and engage effectively.

2. **Set targets** – In order to drive performance, it is important to set targets. Although clichéd, a useful approach is to set targets that are SMART – Specific, Measurable, Attainable, Relevant and Time bound. Funds can provide valuable support to investee companies by engaging in strategic discussions on what the short, medium and long-term targets should be to create value for the business. Investee companies have stated that they genuinely appreciate this focus on the part of investors when it is aligned with business realities and needs. ESG is often a topic the business has little time to attend to, but that can yield significant value. PE investors are ideally placed to engage with companies on ESG over time, to help monitor performance against targets, and to channel technical support to facilitate improvements.

3. **Start early, look to long term** – It is far more difficult to retrofit sustainable business practices into a company than it is to incorporate them into the thinking and culture at the beginning. Similarly, it is crucial to embed mutual expectations of sustainability at the start of an investment and to incorporate these into legal agreements. Helping companies to identify and act on ESG improvements may yield high-value, quick wins during the life of an investment. However, much of the value will be created through a long-term engagement.

4. **Show commitment** – High-level management commitment to ESG priorities is essential in both businesses and funds. Clear commitment from the top has a dual role. Firstly, It confirms to staff that consideration of ESG is now firmly embedded in their work and performance requirements. Secondly, senior leadership is best placed to select the ESG priorities that are particularly relevant. Focusing on the most material ESG issues - both in terms of business operations and stakeholder concerns - has been shown to result in financial outperformance, while attention given to non-material ESG issues can be costly. There is growing recognition that good governance requires a strategic commitment to and understanding of ESG risk and priorities.



There is no sustainable without business and there is no business without sustainable.

CONTENT TO **INSPIRE ACTION**

By Shani Kay - Regency Global

For too long now corporate communication has either been about crisis management, or about selling product – neither very authentic – and with not much to fill the gap in between.

The last half-century has been characterised by a fierce and relentless pursuit of profit, and profit at any cost. We are seeing the consequences play out all over the world today.

Somewhere at the origin of this out-of-control spiral, we began to believe that the purpose of business was to make profit. We lost sight of the fact that a social need became apparent and was 'asking' to be fulfilled – Why? To improve the human condition, to add value to people's lives, to improve, ease or augment their experience in the world... and in doing so, profit was simply a natural outcome.

We have moved far since that time; to a place where capitalism and market economy have driven a distinct focus on margins and returns and double-digit growth – creating an end-goal that can only ever be achieved in an environment where there are 'haves' and 'have-nots'.

There is no scope for universal outcomes in this space; not for broad based sustainability, nor the future viability of these businesses themselves. So we sit at a cross roads of conflicting priorities with the perception of either-or decisions that seem an essential part of paving the way forward.

So, as the world is slowly awakening from its hedonistic pursuit of exclusive progress, Corporate Social Responsibility has become the language of the last decade; with companies realizing or being compelled to contribute toward the upliftment of broader society; and telling these stories of often inflated impact as a means to build some kind of positive and credible reputation.

" There is a very distinct business case for operating with purpose, in both obvious and unexpected ways.

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However, with globalization, information at our fingertips, and an evolving collective consciousness, the public is becoming more savvy, more discerning and more demanding of the companies that we work for and transact with.

The result has been an overwhelming resurgence of the need for purpose and meaning; and we are seeing companies across the world respond by re-identifying with their purposes; redefining their values; and reconnecting with a human-centric approach to doing business. And in doing so, the more progressive and enlightened amongst them are not only realizing that peripheral social investment is not enough, nor is it sustainable; but that there is a very distinct business case for operating with purpose, in both obvious and unexpected ways.

This purposeful approach to business enables a deeper understanding of the global transformation required, and the inherent business opportunities that exist therein; and we are starting to see many innovative business models and inclusive solutions that are delivering both profitable returns and societal value in synergy. Imagine the possibilities where financial and social returns co-create. Seems oh-so new age, when in fact, in basic terms, that is exactly where we started.

So, given this reconnected future-focused business, how can corporate communications be leveraged to further the global growth agenda and the sustainability of people, planet and profit?

The answer lies in understanding the true value and potential of authentic human stories.

As human beings we are wired to engage with and remember stories. Research tells us that stories account for 65% of our conversations; and that such stories can transform our perceptions and shape our decisions.

So what better way to build lasting relationships with authentic and purposeful businesses than through the sharing of their stories of impactful business activity; not only through the felt experience of those benefiting, but also through the passionate voices of those involved.

When we start to recognize the value of any individual experience, and to view these individuals as whole human beings – not simply beneficiaries, implementers and corporate executives, but as people whose lives are rich and meaningful, then we are able to see how emotional connection is created through the sharing of that experience; and to realize how powerful that emotional connection is in capturing imaginations, creating moments of value, inspiring action and residing in our memories.

The answer lies in understanding the true value and potential of authentic human stories.

So why is this important?

Without purposeful, responsible business, there will be no sustainable global transformation, no universal development outcomes, nor significant progress on the agenda of people and planet – and a degenerating business environment in which profit will be increasingly difficult to make.

There is no sustainable without business and there is no business without sustainable.

Powerful and authentic communications can help to support, illuminate and amplify this narrative; delivering a bigger-picture understanding of the ecosystems in which we operate and greater clarity around the targeted impacts, challenges, and net positive effects.

However, there is also a massive and growing trust deficit between business and the public.

What authentic narratives do is offer the opportunity for business, not to sell product, but to position brand and to build trust and credibility that will translate into habitual long-term, value-based relationships that epitomize what will become 'business of the future'.

On a broader level, this layered communication of honest experience will educate and inspire, delivering an understanding of what is possible and achievable through the committed involvement of well intended stakeholders.

Within this context, strong company narratives create alignment with the broader economy and society; providing a realistic account of both challenges and opportunities that differentiate a brand; play a significant role in employee attraction and retention; highlight the long-term purpose and values to investors and societal stakeholders; and communicate an authentic commitment to the pillars of economic, social and environmental sustainability.

And whilst there is of course the potential for green-washing, exaggerating and even exploitation, communicating the sincere experience of an individual is ultimately both indisputable and true. This is not to say that everyone has the same experience of their engagement with a particular company, program or intervention, but simply that the positive experience, benefit and transformation felt by someone is valid and valuable and real and important.

We all have skeletons and failures, but we cannot let these stop us from recognizing what is good and right and happening. These stories need to be communicated to inspire more stories of good practice.

And when companies start to feel the core business benefit of telling these stories, not as sidelined communications of social impact, but as fundamental to communicating the heart and soul of the business and the importance and reason for its existence; then these stories will reinforce this kind of business engagement, creating a virtuous circle of both of purposeful business and authentic trust building stories to tell.

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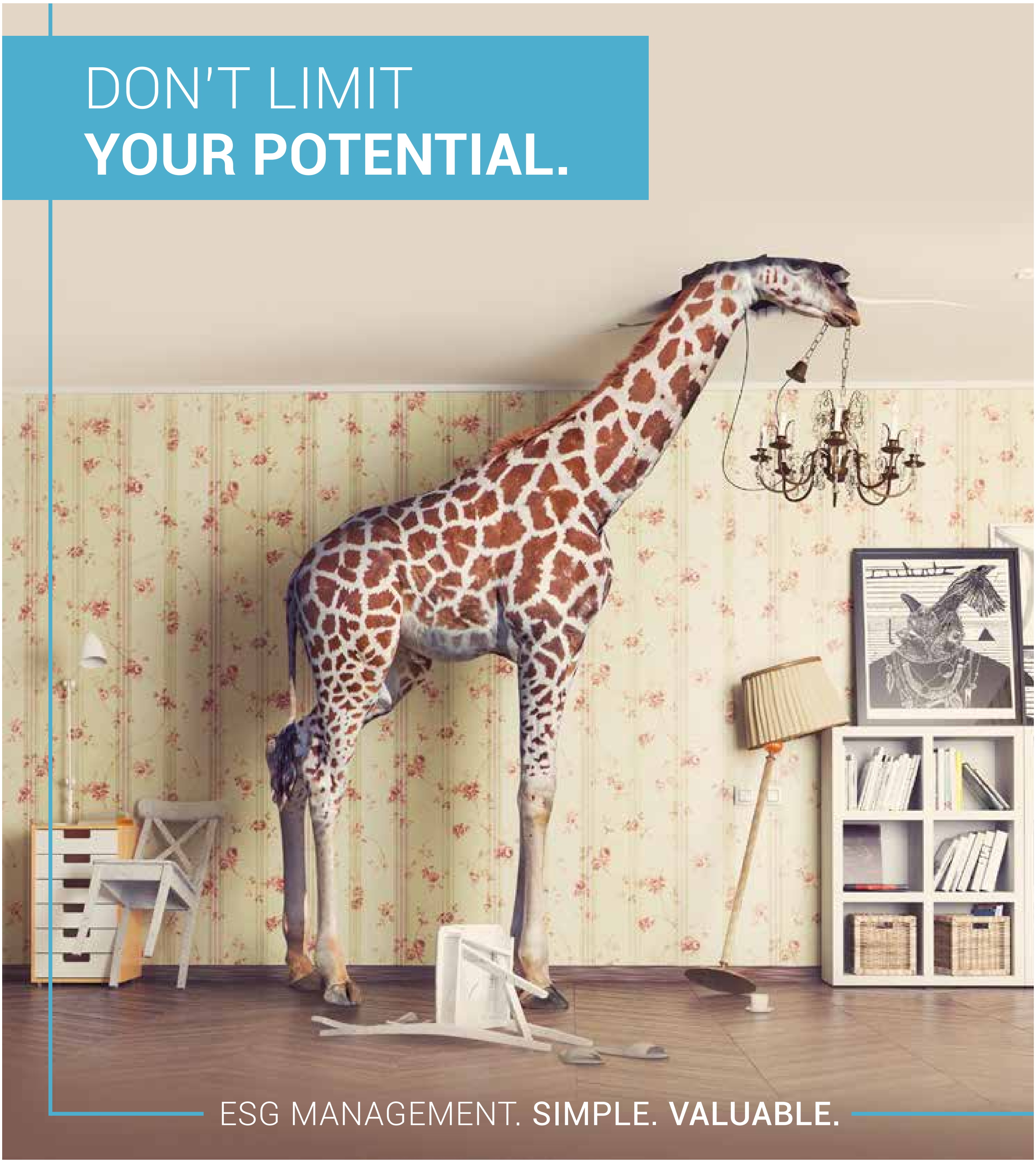

KudosAfrica understands what you need from your ESG engagement.

We help you meet your LP requirements, uncover value in your portfolio, and inspire your investee companies to achieve sustainability advantage beyond their own expectations.

Signatory of:

PRI Principles for Responsible Investment

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