



Dutch Good Growth Fund

Notice proposed transaction: Baobab Côte d'Ivoire

Date of Publication: 27 of May, 2024

Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting dggf@pwc.com within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

Description (English)

Part of DGGF

Financing Local SMEs

Name Intermediary Fund (IF)

Baobab Côte d'Ivoire

Domicile IF

Côte d'Ivoire

Nature of the activities of the IF

Baobab Côte d'Ivoire (BCI) is a deposit-taking financial institution (FI) providing micro-loans and SME loans as well as insurance and money transfers. It's vision is to offer simple and accessible financial products and services to facilitate and improve the daily lives of micro and small entrepreneurs who don't have access to the financial sector.

The FI was founded in 2009 by the well-known Baobab Group, its majority shareholder, the other minority investor being by the pan-African insurance company Sunu.

BCI is a leader in Côte d'Ivoire's market and the company has been profitable for the past 10 years. The MFI operates through 35 branches, spread all over the country (8 in the capital Abidjan), and a through a correspondent network of 300



agents. The MFI's portfolio stands at EUR 217M in 2023, maintaining a strong portfolio quality and sound capitalization levels.

Size of proposed investment

DGGF will provide a senior loan to Baobab Côte d'Ivoire of EUR 6.5 million, disbursed in one tranche.

Intended transaction date

The Fund Manager aims to close the agreement with Baobab Côte d'Ivoire on June 27th, 2024.

Expected financial results

A positive financial return on the investment is expected.

Expected impact

The facility will be 100% earmarked to agricultural SME borrowers in Côte d'Ivoire.

Côte d'Ivoire's economy heavily relies on agriculture (25% of the GDP) and on small businesses. In that regard, BCI has developed since 2020 a clear agriculture strategy led by an agriculture department specifically created for this purpose. As of today, agriculture represents 17% of BCI's portfolio, and the target is to continue to further grow in the next years. Two agriculture products have already been launched and two are being launched this year, all targeting specific activities of the agricultural value chain.

The facility will thus support BCI's strategy to grow its outreach in an engaging sector involving several risks, as well as to develop new products to address the specific needs of the sector.

ESG compliance

Baobab Côte d'Ivoire has a varied ESG portfolio in trade, service, agriculture, and manufacturing, and is exposed to a range of ESG risks. However, Baobab's management hereof does not currently meet DGGF's ESG requirements. The loan application process of Baobab Côte d'Ivoire does not include a formal ESG due diligence. Currently, they use an ESG risk sheet which divides opportunities into three risk categories (A, B and C). During this identification process they do take some social and environmental considerations into account but those are not formalized or standardized. The ESG risk sheet has been provided by group level. Additionally, ESG considerations are not incorporated into the follow-up of the ESG risk assessment, and there is only a very limited ESMS in place.

Baobab Côte d'Ivoire has indicated they are dependent on Baobab Group to meet these expectations. From DGGF's experience with Baobab Group, we know that a policy is currently being developed at Group level. Given Baobab Côte d'Ivoire's



dependence on this policy and guidance, we have set compliance of Baobab Group's ESG policy with DGGF's ESG policy as a precondition for investment.

When this has been met, the first tranche can be disbursed. Baobab Côte d'Ivoire must be fully compliant with DGGF's ESG policy within 6 months hereof. Specifically, Baobab Côte d'Ivoire is to adopt the DGGF exclusion list, create and adopt an ESG policy & ESMS, deliver ESG training for relevant staff and management, align its grievance mechanism with DGGF ESG requirements, and share ESG documentation for two loan agreements as its conditions for investment. These conditions have been agreed with Baobab Côte d'Ivoire and Group.

DGGF will support Baobab Côte d'Ivoire with review & guidance of its procedures, as well as by providing the DGGF ESG e-learn for FIs.

Tax compliance

Baobab Côte d'Ivoire is a regulated financial institution domiciled in Ivory Coast and solely provides financing to local SMEs domiciled in Ivory Coast, which will be normally taxed at the applicable tax rates. Ivory Coast is currently not rated by the Global Forum on Transparency and Exchange of Information for Tax Purposes. Until Ivory Coast is rated as at least "largely compliant", DGGF requires Baobab Côte d'Ivoire to only invest and provide financing to SMEs that solely operate and are domiciled in and are tax resident in Ivory Coast.

Baobab Côte d'Ivoire is not making use of artificial constructions to lower its taxation or the taxation of the SMEs it finances. DGGF's investment conditions focus on ascertaining this. Baobab Côte d'Ivoire requires SMEs that it finances to comply with local laws and regulations, amongst others, those regarding tax. DGGF will monitor whether Baobab Côte d'Ivoire meets its ongoing tax obligations and acts in accordance with the DGGF Tax Criteria.