



A series by the African
Private Equity and Venture
Capital Association

Achieving the SDGs through African Private Equity and Venture Capital

SDG 1: End poverty in all its forms everywhere



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Executive Summary

Over the past 20 years, AVCA has remained committed to tracking, monitoring, and reporting on the wide-reaching positive impact of private equity and venture capital across the continent. To celebrate 20 years of championing private investment in Africa, we are delighted to launch **Achieving the SDGs through African Private Equity and Venture Capital** – a series that we hope will encourage **greater collaboration** between fund managers, institutional investors, and entrepreneurs to **drive sustainable growth in Africa**.

It is now six years since the United Nations (UN) launched a global call to institutions and individuals to commit to creating a future of prosperity and peace for all by 2030, through the Sustainable Development Goals (“SDGs”). The 2030 Agenda for Sustainable Development (“the 2030 Agenda”) established 17 SDGs with 169 targets and 232 indicators to enable progress tracking as key global actors, including investors, businesses, civil society, and governments, implement the 2030 Agenda.

According to the United Nations Conference on Trade and Development (UNCTAD), meeting the SDGs in emerging markets will require investment up to the value of US\$4.5 trillion annually, primarily for infrastructure, education, healthcare, and agricultural development. Globally, the private sector is responsible for most investments and has played a historic role in addressing structural, social, and environmental challenges in Africa.



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The SDGs provide a practical framework to achieve inclusive growth on the continent, and the private sector has a vital part to play in mobilising African countries to achieve the 2030 Agenda while strengthening the economy.

Africa-focused fund managers and institutional investors have risen to the challenge as they continue to deploy and allocate capital to support the businesses driving long-term economic growth across the continent.

Recognising the importance of businesses and investors in realising the 2030 Agenda, the UN Development Programme (UNDP) launched the SDG Impact Standards for Private Equity Funds to outline a clear system to support private equity (PE), venture capital (VC) and other private market funds to achieve impact and contribute toward sustainable development through their investments.





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Where Africa is concerned, responsible investing has always been at the heart of private equity due to the origins of the asset class. As Environmental, Social, and Governance (ESG) principles became more prominent in the global investment landscape, AVCA set out to tell the story of impact in Africa. In 2018, we published our first special report, **An Untold Story: The Evolution of Responsible Investing in Africa**, to highlight the role of development finance institutions (DFIs) and private equity fund managers in creating sustainable growth on the continent.

DFIs have demonstrated how investments in the private sector in emerging markets can have significant positive effects on job creation and economic growth. Furthermore, with the majority of private investors in Africa promoting and achieving both impact objectives and commercial returns, Africa-focused fund managers are uniquely positioned to contribute to achieving the 2030 Agenda by investing in companies that advance the SDGs.

To celebrate the last 20 years of AVCA championing private investment into Africa, we are delighted to launch Achieving the SDGs through African Private Equity and Venture Capital – a series that we hope will encourage greater collaboration between fund managers, institutional investors, and entrepreneurs to drive sustainable growth in Africa.



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Sustainable Development

Goal 1 – End poverty in all its forms everywhere

The first case study in this series focuses on the pan-African PE fund manager, **Metier**, and their commitment to building a world free of poverty through their investment in South African FMCG company, **Nature's Choice (Pty) Ltd.**





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Investor & Company Profile



Portfolio Company Name:

**Nature's Choice
(Pty) Ltd**

Country:

South Africa

Year of Investment:

2017

PE Investor:

**Metier Capital
Growth Fund II**

Sector:

**Fast-moving
consumer
goods**

Total Investment Amount (US\$):

**Approx.
US\$7.5 million**



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Investor Engagement with the SDGs



Metier is driven by a commitment to supporting local communities and minimising adverse effects on the environments in which the Fund and its portfolio companies operate. The environmental, social and governance (ESG) policies established for Metier's fund provide a framework for managing and communicating impact objectives with portfolio companies. Metier selects portfolio companies that are aligned with the mandate and strategy of the fund and are well-positioned to address the numerous social and environmental challenges prevalent across Africa.





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What were the key drivers for integrating SDG 1 into your investment approach?

Our sustainable development approach is not exclusive to SDG1 and was established to integrate the SDGs in totality. Therefore, the key drivers for integrating sustainable development in our investment approach are as follows:

- Selecting portfolio companies that are aligned with the mandate and strategy of the Fund and that are well-positioned to address the numerous social and environmental challenges prevalent across Africa.
- The Fund Manager's commitment to supporting local communities and minimising adverse impact on the environments in which the Funds and its portfolio companies operate; and
- The Fund's environmental, social and governance (ESG) policies which provide a framework for the Fund Manager to manage and communicate its impact objectives.

How did you integrate SDG 1 into your investment strategy and decision-making processes for the portfolio company?

For our Funds, sustainable impact against all SDGs is fundamental hence all SDGs continue to be integrated per the following:

- The ESG tools used to analyse investments are aligned to the SDGs. Therefore, SDGs are considered at all stages of investment, from deal-flow evaluation right through to the exit process. For example, during deal valuation and due diligence, assessments are conducted on all proposed projects in line with the investment E&S and Impact Management Process, which includes assessing the proposed projects for their SDG impacts.
- The portfolio companies are measured across various ESG impacts including their social and economic commitments, which are clearly mapped against the most relevant SDGs. This includes creating portfolio company impact themes linked to the SDGs and monitoring the portfolio company's progress in achieving impact against expected themes. For example, if an investment displays more impact on

SDG 5, 8 and 10, then those will be the theme for that particular investment and management will be required to track and report on the identified theme. However, should there be additional SDGs impacted in the new reporting period, then those SDGs are built onto the themes for that particular investment.



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What are the key challenges you've faced thus far when implementing SDG 1 and measuring progress within your portfolio company?

The primary challenge when it comes to implementing SDGs and measuring progress within our portfolio companies is associated with data accuracy and consistent reporting across all portfolio companies. This can sometimes be a challenge because active investments can tend to loosely document or oversimplify their impact stories resulting in a missed opportunity to effectively relay their impact story.

Another challenge is associated with the limited capacity and experience at the portfolio company to manage SDG implementation.

Has the COVID-19 pandemic changed the implementation of SDG 1 and the impact within your portfolio company?

COVID-19 has had a limited impact on the sustainable development objectives of our portfolio company and the implementation thereof. As unfortunate as it is, the pandemic has presented more opportunities for the portfolio company to continue to provide food assistance to its staff and those significantly impacted by the pandemic.





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Investment Impact Profile



What was the rationale behind this investment?

The investment in Nature’s Choice presented an attractive entry into the health food market with potential for growth as consumers become increasingly aware of the benefits of healthy living. The company has an established and well-recognised brand, a diversified product range, blue chip customer base and established route to market. Additionally, Nature’s Choice presented a good base for consolidation in a highly fragmented market characterised by many smaller businesses needing to get to scale.

How does this investment map onto SDG targets?

Target 1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters.

Number of permanent jobs created:

208

Females:

149

Males:

59



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Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

100% of the workforce is covered through UIF deductions, which are made by the company on behalf of the employees.

Target 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters

The company has implemented the following strategies to mitigate impacts of poverty and health and safety related disasters on its employees and surrounding communities:

1. Nature’s Choice ensures that the employees have access to a healthy, balanced daily meal
2. Nature’s Choice incurred additional expenditure of ZAR475,000 in 2020 to implement health and safety measures to protect the well-being of staff during the COVID-19 pandemic

Routinely donates food products to community feeding schemes:

3. Nature’s Choice donated approximately R118,000 worth of short-dated stock to four feeding schemes, being the Bethesda Charity; the Orange Farm Meals on Wheels Community Project; Masiweni Charity; and Green Leaf Projects.

4. Nature’s Choice provides for the basic needs of adults with disabilities at Bethesda Charity, a protective workshop for disabled clients from impoverished communities in Hout Bay,
5. Nature’s Choice donates food to the Orange Farm Meals on Wheels Community Project, a feeding scheme for disadvantaged families in the Orange Farm community with over 1,350 beneficiaries.
6. Nature’s Choice donates food to the Masiweni Charity, an organisation that supports vulnerable children and disadvantaged families in De Deur, Meyerton.
7. Nature’s Choice donates food to the Green Leaf Projects, a non-profit organisation based in Kempton Park, with various feeding schemes for families and children who are homeless.



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How does this investment map onto and achieve one or more of the SDGs?

The investment into Nature's Choice has aided the fulfilment of the following SDGs:

Hover over SDG icon to find out more.

02 ZERO HUNGER

03 GOOD HEALTH AND WELL-BEING

05 GENDER EQUALITY



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Company View

Commentary from the founders themselves on the company's role in delivering positive outcomes related to the SGDs and on GP value additions.

Daniel Lombard
Chief Executive Officer
Nature's Choice

"We are proud of our role in ensuring that healthier food alternatives are available to consumers. Nature's Choice is a significant employer in the community in which it operates and strives to provide meaningful and equal opportunities for all its employees. This is evidenced by the number of new jobs created and the significant representation of women at senior management level.

The company is also focused on partnering with smaller companies and suppliers in the health industry, driving the spirit of entrepreneurship. Our collaborations include Life Bake and The Chocolate Yogi, and suppliers such as Tempest.



Metier is aligned with the impact objectives of Nature's Choice and the team has assisted with sharing best practice of ESG implementation and reporting. They have also supported the company's initiatives including securing grant funding to supplement the costs incurred in implementing additional COVID-19 health and safety measures to ensure the wellbeing of staff during the pandemic."

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