FOREWORD

Corporate governance in Africa is complicated by its diversity of regulatory systems and traditions. Some descend from the Napoleonic Code, others are rooted in English common law, and others adopt the King Principles developed in South Africa. The multiplicity of regulatory traditions increases the importance of advancing corporate governance uniformly across Africa. The basic principles involved, from the protection of shareholder rights, the promotion of frequent financial reporting, and the easing of information flows, to the development of functioning boards that retain oversight of management, remain the same in Africa as in the rest of the world.

Given that many African companies receive their first injection of private capital as private, closely-held, or family-owned enterprises, General Partners (GPs) have a critical role in instituting high standards of corporate governance. This work is important not just to these companies’ bottom-lines, but also to the protection of their stakeholders’ interests. Proper corporate governance increases earnings and returns, mitigates risk, and thereby contributes to economic development and a sustainable investment ecosystem.

I am pleased to say that our African private equity industry has worked for decades with their investee companies to raise corporate governance standards when necessary. I am also glad that AVCA is now able to report on this activity in this and future reports. Thank you to all those who gave their time to make this report possible.

Runa Alam
Chair
AVCA Sustainability Committee
This year, AVCA’s Sustainability Committee decided to shift the focus of the study from job creation to corporate governance, given its increasing importance to both investors and private equity firms alike. The report presents fresh data confirming the importance of strong governance structures in African private equity.

Although under-emphasised in Environmental, Social, and Governance (ESG) forums, good corporate governance is one of the most significant aspects of value creation in private equity in Africa, as it allows robust sustainability frameworks to be established, which ultimately guides effective decision-making. Since good governance requires transparency and effective boards, there is a greater likelihood for General Partners (GPs) to detect problems earlier on and thereby take appropriate remedial action. In companies where the management teams require some improvement and redirection, having effective boards in place to deal with any management changes becomes even more important.

We should also appreciate that investment decisions in African PE are deeply rooted in ESG due to the heavy involvement of the Development Finance Institutions (DFIs) from the outset. So, it does not come as a surprise that 100% of the PE firms surveyed consider the implementation of corporate governance standards in their portfolio companies to be important.

It is also worth noting that a vast majority of companies’ board members include representatives from a PE firm. This confirms our original belief that African PE firms should have a hands-on approach in driving their plans for value creation within their portfolio companies. Good corporate governance makes good business sense.

We hope that this report will enlighten you on the large scope of corporate governance initiatives across companies and GPs in Africa, ensuring that attention continues to be paid to governance as a key part of the value creation process.

Lastly, we would like to thank all the PE firms that contributed to this Sustainability Study by providing their data.

Albert Alsina
Chair
Corporate Governance sub-Committee

Matthew Hunt
Chair
Studies and Reports sub-Committee
INTRODUCTION

In the previous editions of AVCA’s Africa Sustainability Study, we focused on how the African private equity (PE) industry has influenced Environmental, Social and Governance (ESG) standards through job creation and job quality improvements in portfolio companies. This year, we have conducted a deep-dive into a different aspect of ESG, exploring how investors in Africa have promoted the adoption of corporate governance frameworks within their portfolio companies to drive value creation.

Improvements in corporate governance are critical to the development of a sustainable investment ecosystem in Africa. As noted in the OECD’s 1999 Principles of Corporate Governance, the main responsibility for shaping Africa’s legal, institutional, and regulatory climate lies not with the governments, but with the private sector.

Within the report, we present the results of a survey to shed light on the essential components of a value-acc cretive corporate governance system. The survey uses data collected from 27 General Partners (GPs), covering 277 portfolio companies (29% of all PE-backed companies from 2012 to 2017). The report also presents case studies to illustrate the mechanisms that GPs have used to develop corporate governance standards in their portfolio companies where needed, and the results that they were able to achieve.

IN BRIEF: THE AFRICAN PE MARKET

The data below provides an overview of the size of the African PE market. It shows the amount of capital that has been raised by African PE firms in recent years to invest in companies across the continent.

- **Number of reported African PE deals, 2012-2017**: 953
- **Total value of reported African PE deals, 2012-2017**: US$24.4 bn
- **Total value of African PE fundraising, 2012-2017**: US$17.3 bn
## SUSTAINABILITY SURVEY KEY FACTS

<table>
<thead>
<tr>
<th><strong>6 YEARS</strong></th>
<th><strong>277</strong></th>
<th><strong>30</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time period:</strong></td>
<td><strong>Number of companies</strong></td>
<td><strong>Number of primary countries of operation in the survey</strong></td>
</tr>
<tr>
<td>January 2012–December 2017</td>
<td>6  YEARS</td>
<td>27</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>100%</strong></th>
<th><strong>85%</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>100%</strong></td>
<td><strong>Number of GPs</strong></td>
</tr>
<tr>
<td><strong>Number of primary countries of operation in the survey</strong></td>
<td></td>
</tr>
</tbody>
</table>

### SUMMARY OF KEY FINDINGS

1. **100%**
   - 100% of the PE firms consider the implementation of corporate governance standards in their portfolio companies to be Very Important or Important

2. **97%**
   - 97% of the portfolio companies in the survey have board participation from the PE firm, mostly from the partner-level ranks of the respective fund manager

3. **95%**
   - 95% of the investee companies that were cited as having low or inadequate reporting prior to the PE investment experienced an increase in their reporting frequency after the GP’s entry

4. **91%**
   - In 91% of the portfolio companies, the PE firms participate actively or very actively in the risk-assessment process

5. **85%**
   - In 85% of PE-backed portfolio companies, fund managers report that improvements made by the implementation of corporate governance initiatives have led to value creation within the portfolio company

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1 Primary countries of operation in the survey: Algeria, Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Comoros, Democratic Republic of the Congo, Côte d’Ivoire, Egypt, Ethiopia, Gabon, Ghana, Kenya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Senegal, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe
As a PE firm, how important is corporate governance in your investments?  

Has your PE firm ever chosen not to invest in a company due to corporate governance concerns?  

Has any portfolio company ever been in breach of applicable laws, rules and industry codes?  

The significant majority (85%) of PE firms participated in the survey see the implementation of corporate governance standards in their portfolio companies as Very Important. This perception is consistent among regional, country focused, pan-Africa and sub-Saharan Africa fund managers. The remaining 15% consider it to be Important.

Most GPs (81%) assert that they have chosen not to invest in a company due to corporate governance concerns, demonstrating the importance of corporate governance standards to their investment decisions.

Most survey respondents (73%) have not had a portfolio company breach applicable laws, rules, or industry codes, which reflects the effectiveness of the considerations given prior to the PE investment.
In 85% of PE-backed portfolio companies, fund managers report that improvements made by the implementation of corporate governance initiatives have led to value creation within the portfolio company.

In 85% of PE-backed portfolio companies, fund managers report that improvements made in corporate governance initiatives have led to value creation within the portfolio company.

If yes, how much of the value created is linked to the improved corporate governance?

- Large Majority (more than 60%): 2%
- Majority (more than 50%): 16%
- Minority (less than 25%): 23%
- Significant Minority (25-50%): 59%

In 85% of PE-backed portfolio companies, fund managers report that improvements in the implementation of corporate governance standards drove value creation. For 59% of these companies, GPs attribute a significant minority of the value created to the corporate governance improvements made.
Does your PE firm participate in the board?

97% of all the portfolio companies in the survey have board participation from the PE firm, mostly from partner-level ranks of the respective fund manager.

97%

For a considerable percentage (61%) of the investee companies where PE firms participate on the board, the PE investor holds a minority stake. This aligns with the guidance in the IFC’s DFI Toolkit on Corporate Governance that minority shareholders should be represented on the board and protected.

What are the key areas affected by the board’s decision making?

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>78%</td>
</tr>
<tr>
<td>Budget/Operations</td>
<td>17%</td>
</tr>
<tr>
<td>Others</td>
<td>3%</td>
</tr>
<tr>
<td>Talent Management/HR</td>
<td>1%</td>
</tr>
<tr>
<td>Strategy; Budget/Operations; Talent Management</td>
<td>1%</td>
</tr>
<tr>
<td>Strategy; Budget Operations</td>
<td>1%</td>
</tr>
</tbody>
</table>

The key areas affected by the board’s decision making in the portfolio company are Strategy (78%) and Budget and Operations (17%).

Board participation and composition

According to the 1999 OECD Principles of Corporate Governance, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders. This buttresses our own findings; in the survey, GPs participated on the boards of 97% of portfolio companies, demonstrating that fund managers, whether they hold majority or minority stakes, are keen to monitor and direct the performance of portfolio companies.

For over half (57%) of the portfolio companies where GPs enjoyed board representation, the participation is from within the partner-level ranks of the PE firm, illustrating the centrality of exercising corporate governance oversight to fund managers. Corporate governance standards are considered to be a firm-wide investment priority.
Is the role of the Chairperson and Chief Executive Officer (CEO) well defined and distinct?

As the private sector landscape in Africa is dominated by family-owned enterprises, it is advisable for the roles of the Chairperson and the Chief Executive Officer to be separated, a point supported by the 1999 OECD Principles on Corporate Governance. In our survey, for most portfolio companies (88%), the role of the Chairperson and CEO is considered to be well defined and distinct. For a considerable number of the investee companies on the African continent, the private equity firm is their first source of institutional capital, playing a key role in driving greater transparency.

Does the CFO participate on the board?

While Chief Financial Officers (CFO) do not need to be official members of the board of the investee company, they nonetheless play essential roles within the board from a technical and operational perspective. In our survey, we found that the CFO participates on the board in 64% of portfolio companies.

Is there a board member who is involved with and supports the portfolio company’s ESG initiatives?

Most (80%) portfolio companies have a board member responsible for the firm’s ESG initiatives, indicating the importance of the implementation of ESG principles as a whole.

Is the remuneration committee present or represented on the board?

Over half (53%) of the portfolio companies in the survey have the remuneration committee represented on the board. Among those companies where the remuneration committee enjoys board representation, 50% of those committees are independent sub-committees, ensuring transparency with regard to board remuneration.

If yes, is it an independent sub-committee?

49% No
Effectiveness of the board

How effectively are the board’s decisions implemented in the underlying portfolio company?

- Effectively: 61%
- Very effectively: 25%
- Rather effectively: 11%
- Rather ineffectively: 2%

The board’s decisions are implemented effectively or very effectively in most (86%) portfolio companies. In almost all portfolio companies (93%), conflicts are resolved at board level, allowing GPs to manage any conflicts that may arise.

Are conflicts tackled and solved at the board level?

- Yes: 93%
- No: 7%

How often does the board meet?

- Quarterly: 83%
- Semi-yearly: 7%
- As required/other: 5%
- Monthly: 3%
- Yearly: 2%

For most portfolio companies (95%), board meetings are reported to occur on a regular basis, with most (83%) occurring on a quarterly basis, to secure a regular dialogue between the company and the GP.
Committee participation

Beyond the board, PE firms also participate in other committees in 76% of the portfolio companies, promoting better collaboration between the PE firm and company management. Audit and Strategy are the most common committees for GP involvement with a quarterly meeting frequency.

If yes, what are these committees dedicated to and how frequently do they meet?

<table>
<thead>
<tr>
<th>Committee</th>
<th>Once per month</th>
<th>Once per quarter</th>
<th>Once per year</th>
<th>As required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>65%</td>
<td>13%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Budget/Operations</td>
<td>31%</td>
<td>51%</td>
<td>3%</td>
<td>15%</td>
</tr>
<tr>
<td>Strategy</td>
<td>9%</td>
<td>57%</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Talent Management/HR</td>
<td>48%</td>
<td>25%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>65%</td>
<td>23%</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Other than the board, does your PE firm participate in other committees in the portfolio company?

Yes: 76%
No: 24%
MANAGEMENT CONTROL AND REPORTING

95% of the investee companies that were cited as having low or inadequate reporting frequency, prior to the PE investment experienced an increase in their reporting frequency after the GP’s entry

Quality and quantity of the reporting within the portfolio companies

Was the reporting in the prospective portfolio company sufficient at the point of entry?

No, the quality of the reporting was inadequate 52%

Yes 28%

No, the frequency of the reporting was too low 20%

Reporting is identified to have been an issue in the majority of portfolio companies at the time of investment, with inadequacies relating mostly to reporting quality (52%) and quantity (20%).

In the Healthcare sector, all portfolio companies were reported to have had inadequate reporting at the time of PE investment, and have increased their reporting since PE participation. Financials and Utilities had the lowest proportion of portfolio companies that were in some way deficient in reporting when the PE firm invested in them, at 31% and 33% respectively.
Has the reporting frequency of the portfolio company changed since your PE firm’s investment?

- Yes, it has increased: 82%
- No, it has stayed the same: 18%

Are ESG reports part of the reporting discipline for the portfolio company?

- Yes: 74%
- No: 26%

Of those portfolio companies that were cited as having low or inadequate reporting frequency at the time of the PE firm’s entry, 95% have increased their reporting frequency since the PE firm’s involvement. Moreover, for most of these companies (74%), ESG reporting is a part of the reporting discipline to ensuring a more efficient decision-making process.

How often do you report on corrective actions on the portfolio company?

- Quarterly: 36%
- As required/other: 34%
- Monthly: 13%
- Yearly: 9%
- Semi-yearly: 7%

While a sizeable proportion (66%) of portfolio companies report on corrective actions (such as documenting problem investigations and solutions) at a regular frequency, most commonly quarterly, the remaining 34% only report as needed. However, the need for a parallel reporting regime specifically for corrective actions can be eliminated when GPs create strong, well-functioning boards and institute frameworks that enable ongoing problem identification, the design of solutions and the tracking of corrective actions, all as part of the board’s core responsibilities.
Nearly two-thirds (61%) of portfolio companies do not have an internal audit function. However, in compliance with the 1999 OECD Principles of Corporate Governance, an external auditor is often utilised. This also aligns with the IFC’s DFI Toolkit on Corporate Governance with regard to disclosure and transparency, which stipulates that audits should be completed by independent auditors, ensuring their freedom from the influence of others within the investee company.

Limitations to the non-audit services that external auditors can provide and their replacement at a minimum of every 5 years can assure the objectivity of the audit services provided. This appears to be well recognised within the industry, with most (81%) investee companies reporting that external auditors do not provide non-audit services to the company. Also, 50% of portfolio companies rotate the audit partner every 2-5 years, while 32% state that it is greater than every 5 years. The US’s “Public Company Accounting Reform and Investor Protection Act”, or the so-called Sarbanes-Oxley Act, a United States federal law that set requirements for all U.S. public company boards, which also contains a number of provisions in relation to privately held companies, provides excellent guidance on the rotation of audit partners. The Act provides for external audit partner rotation at a minimum of every five years, to establish standards for external auditor independence and limit conflicts of interest.

A third (33%) of investee companies are reported to have an internal audit function. This is most commonly the case in Financials and Telecommunication services, with 86% and 71% respectively reported as having an internal audit function. Real Estate and Information Technology had the lowest proportion, with no companies having an internal audit function.

How often is there a rotation of the audit partner?

- Every 2-5 years: 50%
- More than 5 years: 32%
- No rotation: 8%
- At least every 2 years: 7%
- Not sure: 4%

Nearly two-thirds (61%) of portfolio companies do not have an internal audit function, but most (68%) have a control framework governing financial reporting.
Is there a control framework (e.g. COSO) governing financial reporting in the company?

To establish sound internal controls, financial reporting systems must be implemented within portfolio companies. One example of a financial reporting system is the Committee of Sponsoring Organisations of the Treadway Commission (COSO), a reporting framework that was first published in 1992 as guidance for designing, implementing and monitoring internal control systems. Our survey shows that amongst the 69% of PE firms that use control frameworks to govern financial reporting within their portfolio companies, over two-thirds of them (68%) hold minority stakes within the company. GPs with minority shares, then, realise the uncertainty of unmonitored financial reporting, responding by adopting official control systems. In the Energy and Industrials sectors, 77% and 82% of the investee companies respectively were reported to have a control framework governing financial reporting.

Risk Assessment

GPs participate in the risk assessment process either actively or very actively in the vast majority (91%) of portfolio companies, enabling them to closely monitor risks to their strategic plan. Their involvement is valuable, given that over half of the companies reported (53%) did not have a risk assessment methodology before the PE investment.

The 1999 OECD Principles of Corporate Governance introduced the stipulation of the equitable treatment of all shareholders, including minority shareholders. This is reflected in the results of our survey. A significant majority of the investee companies involved in the survey (86%) state that there is a mechanism in place for the board to deal with conflicts of interest. Of those, 68% are portfolio companies in which the PE firm has a minority stake, showcasing the importance of safeguarding the interests of minority investors.
Compliance

How is KYC managed in the portfolio company?

- 36% As part of PE governance control
- 64% Outside of PE governance control

How is AML managed in the portfolio company?

- 39% As part of PE governance control
- 61% Outside of PE governance control

For almost two thirds of the 255 portfolio companies for which this information was made available, Know Your Customer (KYC) and Anti-Money Laundering (AML) initiatives are managed within the PE governance control. For those portfolio companies with KYC and AML under PE control, 82% have a mechanism in place for the board to deal with conflicts of interest.

RESPONDENT PROFILE

Fund Managers by Head Office location

- 26% Africa
- 4% Europe
- 70% North America

Fund Managers by total Africa AUM

- 20% US$0-100million
- 36% US$101-250million
- 8% US$251-500million
- 20% US$501million-US$1billion
- 16% US$1bn+

Fund Managers by Geographic Focus

- 46% Region/Country-specific GPs
- 42% Pan-African GPs
- 12% Sub-Saharan Africa GPs
CONCLUSION

The potential of Environmental, Social and Governance (ESG) standards to drive significant gains in corporate value is well recognised by investors in Africa. In this report, we have focused on the role of corporate governance in value creation, exploring how GPs, through their board positions, institute and monitor effective corporate governance frameworks: increasing the frequency of financial reporting, actively participating in risk-assessment processes, and managing Know Your Customer and Anti-Money Laundering initiatives. Results of the study show that, irrespective of whether they hold a majority or minority shareholding, PE firms exert significant influence through their investment, and attach significant importance to Corporate Governance as a value creation tool. We hope that this report has shed further light on an important toolkit that investors can use to not only generate value within their portfolio companies, but create a sustainable investment ecosystem in Africa.
CASE STUDY

BIYINZIKA POULTRY INTERNATIONAL LIMITED

About the company

• Biyinzika Poultry International is the Ugandan market leader in the production and sale of poultry Day-Old Chicks (‘DOC’) and specialised poultry feed. The company has more than 30 outlets across Uganda and produces approximately 200,000 DOC per week. Poultry feed is produced from its 60,000 metric tonnes p.a. production and storage facility in Katega, Uganda. Biyinzika started commercial production of broiler chickens in H2 2016 in a dedicated farm south-east of Kampala.

What is the rationale for investing in the company?

• The investment rationale for Biyinzika, based on the injection of primary capital, was to enable the company to pursue a profitable growth plan built on downstream vertical integration, capacity increase in the core sectors and professionalisation of the various core and back-office functions. The structural advantages of the Ugandan market for poultry production was a material consideration for the investment rationale.

Role of PE firm in creating value through the implementation of Corporate Governance standards

• Upon entry, a risk identification process clarified the need to improve transparency in inventory and financial expenditure management. These measures were tackled with system reviews and the placement of a competent CFO.
• 8 Miles inserted competency clauses into contracts for key roles such as the CFO, CEO, COO, and has also recently appointed an independent Non Executive Chairman with significant industry experience.
• Quarterly board meetings have been set up with accompanying professionalised reporting to inform evidence-based decision making. Audit, Remuneration, Finance and ESG & HR Committees have also been established.
• The introduction of a non-founder chairman supported by several Ugandan NEDs provided the platform for strategic decision-making and improved stewardship with regards to material decisions and a refreshed corporate strategy.
• 8 Miles participates in all levels of governance and ESG meetings and are on-site at the company through portfolio managers and through the innovative placement of MBA graduates from esteemed institutions such as Harvard, Wharton and London Business School.
• There are weekly engagements with the CEO, CFO and operational teams to manage risk and balance capital requirements with capital availability. Stewardship is a collaboration between the C-suite and the board, where evidence-based decisions can be made to place the company in an optimal position to capture market, sector, country or broader economic opportunities. 8 Miles is a partner and driver in this regard with the other board directors, who contribute their experience, to form the ideal approach to managing risks and opportunities.

PE Firm: 8 Miles LLP
Portfolio Company: Biyinzika Poultry International Limited (BPIL)
Sector: Consumer Staples
Significant countries of operation within Africa: Uganda
Total number of African countries with operations: 1
Year of first investment: 2014
Status: Currently in GPs portfolio
About the company

• Ramco Plexus is a family of 10 companies in the print and packaging sector, operating in Eastern Africa. The company was formed as a partnership between Ramco Group and Amethis, a French private equity company. Ramco focuses on bringing global print and packaging expertise into the region, and has a workforce of over 1100 people across various production facilities, generating an annual turnover exceeding US$65mn.

What is the rationale for investing in the company?

• Attracted by Ramco’s adaptation to changing trade and economic structures through product diversification, vertical integration and adoption of modern technology, Amethis Finance partnered with the family-owned business to provide capital, expertise and access to its network to support the company’s regional expansion plans.

Role of PE firm in creating value through the implementation of Corporate Governance standards

• Governance has been a key focus area for Amethis. Amongst other things, the PE firm has been involved in the setting up of an exhaustive board package, a monthly & quarterly reporting package, the improvement of overall information quality & sharing with management and shareholders, the recruitment of a non-family member Group CEO and the restructuring of the group.

• The changes made to corporate governance as part of Amethis’ entry into Ramco Plexus had positive and structural changes to performance and profitability. The company benefited from improved strategic planning, in-depth analysis of the contemplated CAPEX investments, and strengthening of the management team (including recruitment of a Group CEO). Acquisitions have also been successfully realised, notably thanks to the board’s involvement and the strengthened management team.

• Though no management or operational leadership position is held by Amethis, its role and influence in the Company is derived from its status as an active shareholder (taking part in all of the strategic decisions and supporting the implementation of identified action plans).
About the company

- Founded in 1948, SJL offers logistics and road transport solutions for routes between the EU, Morocco and Tunisia. With its fleet of nearly 1000 trailers and over 500 trucks, the company completes more than 24,000 Gibraltar strait crossings per year. Over the last 5 years, the company has moved from basic road transport operations to more complex and comprehensive logistical solutions, maintaining 146,000 square metres of storage space in 10 warehouses in Spain, France, Tunisia and Morocco. It provides full load, groupage, air and sea freight, as well as custom brokerage services to clients in the automotive, electronics, paper, steel, textile and agribusiness sector.

What is the rationale for investing in the company?

- The PE firms saw the tremendous opportunity that SJL represented for the transport sector in the North Africa region through the provision of safe, reliable and cost effective logistics services that could reduce the cost of doing business in the North African region.

Role of PE firm in creating value through the implementation of Corporate Governance standards

- Prior to PE investment, the board was inefficiently structured, leading to uncoordinated actions and mistakes in the guidance of the company, such as the lack of strategic objectives, and the lack of medium to long-term planning. The PE houses agreed with the existing shareholders on a new board composition, including a reduction in the total number of directors and the introduction of two independent board members who contributed significantly to the development of the company due to their extensive knowledge and expertise.

- The PE firms also created a strategic committee, which took charge of the strategic process and set clear objectives.

- Prior to the involvement of the PE firms, financial analyses completed in the company were poor, and there was no controlling mechanism, resulting in weak decision making at the board level and inappropriate measures for tackling issues. The PE firms recruited and appointed a new Financial Director, ensuring a smooth fit with the existing team.

- Before the PE investment, financial reporting was weak and focused on the wrong KPIs. The PE investors established strong and frequent reporting routines and set the KPIs on real performance measures to mitigate this shortcoming.

- The PE firms also implemented a budgeting process, with a full bottom-up approach, which reached down into the lower levels of the organisational structure, and introduced a clear assignment of responsibilities to execute the business plan.

- The involvement of Mediterrania Capital Partners and the other regional PE fund in SJL’s corporate governance led to the company achieving an EBITDA CAGR of 22% over the 4 year period of their participation, and a sales CAGR of 12% over the same period.
SURVEY METHODOLOGY

AVCA surveyed 27 PE fund managers in Africa between February 2018 and April 2018 via a questionnaire. The survey collated data on corporate governance standards and value creation in PE-backed companies that had a first investment between 2012 and 2017.

General Partners that responded to the survey were a diverse mix of pan-African, sub-Saharan Africa, regional and country-focused funds. Respondents ranged from organisations with an investment size range below US$10 million to those with more than US$100 million. Participant GPs in the survey consisted of minority (up to 30%) and majority (over 30%) stakeholders within the investee companies.

Respondents provided data on 277 PE-backed companies operating across the continent. This accounted for 29% of all PE-backed companies invested in from 2012-2017, ensuring that a good coverage of data was obtained. However, as the sample does not include all PE-backed companies over the period, our findings may not be fully representative.

We are grateful to all survey respondents and to AVCA’s Sustainability Committee for their time and input.

Survey definitions and abbreviations
- Environmental, Social and Governance is abbreviated to “ESG”
- Organisation for Economic Co-operation and Development is abbreviated to “OECD”
- General Partner is abbreviated to “GP”
- Private Equity (abbreviated to “PE”) encompasses private equity and venture capital
- Chief Executive Officer is abbreviated to “CEO”
- Chief Financial Officer is abbreviated to “CFO”
- Know Your Customer is abbreviated to “KYC”
- Anti-Money Laundering is abbreviated to “AML”
- African Assets Under Management is abbreviated to “AUM”

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ABOUT AVCA

Championing Private Investment in Africa

The African Private Equity and Venture Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.