



AN INTRODUCTION TO THE GRAMEEN CRÉDIT AGRICOLE SOCIAL BUSINESS FUND

SOCIAL BUSINESS: A LEVER FOR DEVELOPMENT

The **Grameen Crédit Agricole Fund (GCA Fund)** seeks to bridge the gap between socially motivated investors and innovative Social Business firms that need capital to develop products and services adapted to the needs of the poorest. The Fund is dedicated to investing in Social Business companies and primarily oriented towards developing countries. It plays the role of facilitator, taking minority stakes alongside strategic shareholders and a long-term partnership approach to its investment. Investments are measured against the quality of the business plan, the robustness of the business model and the social impact sought.

The mission of the **GCA Fund** is to address a range of critical social issues and global challenges by investing in Social Businesses that work towards their resolution. In the context of developing countries, the primary challenge is the fight against poverty. At the same time, the Fund's vision is to promote the Social Business sector as an attractive and sustainable approach and to demonstrate the potential, through successful pilot projects, which contribute to bringing the Social Business sector to scale.

The GCA Fund is, itself, a Social Business. Its operational objective is to achieve a strong social performance while allowing investors to have their investment reimbursed at the maturity of the Fund. At term, investors commit to recycle any capital gains into new Social Business initiatives.

SOCIAL BUSINESS: AN INNOVATIVE APPROACH TO INVESTMENT

Unlike a charity, a Social Business is governed by a sustainable economic model. It does not depend on donations or grants. It generates its own revenues to cover costs. Investors recoup their initial investment at maturity, but all further profits are reinvested for growth and innovation or to seed new social ventures. Social Business borrows dynamism and strict management practice from the traditional business model, but has a different aim: a Social Business company seeks the maximum social impact and reinvests profits in growth of the social business sector.

A Social Business is a company created for social benefit rather than private profit.

Social Business: An Adaptable Structure

It is important to note that Social Businesses are suitable to a variety of legal and size frameworks and corporate statutes. This adaptability is one of the key features that makes them a practical and viable development and investment instrument.

Social Business: Social Impact as a Primary Objective

In a Social Business, the social impact is the primary purpose of the company and not a peripheral outcome of the business model. This goal is shared by all shareholders and company management. It is translated into societal objectives and measurable by relevant indicators. By putting entrepreneurship at the service of social causes, Social Business becomes a source of innovation in terms of products and services, conception, production processes and distribution methods. It produces greater efficiency and a leverage effect in the allocation of resources to social causes and better sustainability for projects, while at the same time competing in the free market.

SOCIAL BUSINESS: A TESTED APPROACH

In 2008, Grameen Trust, founded by Muhammed Yunus, and Credit Agricole S.A. joined together to establish the Grameen Credit Agricole Foundation. The Grameen Credit Agricole Fund was born out of this original collaboration and operates under the inspiration and guidance of Professor Yunus.

For nearly 40 years, Professor Yunus has been a pioneer in the creation of businesses dedicated to reducing poverty, first in Bangladesh and then elsewhere in the world.

- **Grameen Bank** is an institution of reference in the field of microfinance, which serves 8.3 million borrowers in Bangladesh, 95% of whom are women;
- **Grameen Shakti** has installed more than 1 million home solar panels in Bangladesh;
- **Grameen Eye-care Hospital** enables the poorest to have access to quality care,
- **Grameen Danone Foods Ltd** produces highly enriched yogurts for fighting nutritional deficiencies among children;
- **Grameen-Veolia** provides access to quality water in villages whose wells are poisoned by arsenic.

**“When I meet
a social problem,
I come up with a
business solution
to it.”**

Professor M. Yunus



These concrete examples have inspired Professor Yunus' vision of a market economy that works to solve social problems and of a new approach that reconciles altruism and entrepreneurship.



THE GRAMEEN CREDIT AGRICOLE FUND: INVESTMENT POLICY

Business sectors

In line with the Millennium Development Goals, the Fund invests primarily in Social Businesses that produce or distribute essential goods or services by making them accessible to the poorest. It partners with innovative companies that provide access for all people to food, water, sanitation, energy, housing, health, education and information technology. Particular emphasis is placed on agriculture and food-processing industries.

The Fund also invests in businesses that create inclusive value chains that generate income for the benefit of local communities through a fair purchase and pricing policy, and redistributive or incentive mechanisms designed for redistribution of the added value.

In addition, the Fund targets Social Businesses that promote access to financial services for those who are excluded, either directly, through microfinance institutions that comply with the principles of Social Business, or indirectly, through market infrastructures or financial service providers.

Geographical priorities

The priority regions for Fund investments are: sub-Saharan Africa, North Africa/Middle East, South Asia and South East Asia. However, the Fund may invest a maximum of 25% of its assets in Social Businesses located in developed countries.

Project Origination

The Grameen Credit Agricole Fund has a dedicated team that provides origination, investment negotiations and monitoring, reporting and advisory services for each investment throughout the life of the portfolio. This team has continual access to the full staff of the Grameen Credit Agricole Foundation and entities in the Yunus network to ensure superior services.

One of the distinctive features the GCA Fund offers is a rich range of origination channels. The Fund has brought these channels into its origination orbit through its relationships and active participation in the financial, philanthropic and NGO sectors.

The GCA Fund benefits from a vast reservoir of social investments from the following categories:

- Social business subsidiaries of multinational companies
- NGOs scaling up through for-profit activities
- Local and national social enterprises
- Mutuals, cooperatives and economic interest groups

Financial tools

The Fund expands its investment portfolio through a range of financial products that meet the specific needs and particular stage of development of targeted businesses. Equity and debt financing will be in approximately similar proportions. The Fund only takes minority stakes. It seeks support from development funders such as foundations and international development banks in order to provide appropriate technical assistance to the businesses in its portfolio.

Social performance measurement and reporting

The Fund employs a social performance measure adapted to social businesses and their beneficiaries in their value chain. A Social Business Charter annexed to the Shareholder Pact defines the principles, commitments and indicators agreed to by all parties of the transaction.

Investment Process	Identification and Initial Reviews	Due Diligence and Negotiation	On-going Monitoring, Reporting and Advisory Services
Selection and analysis of projects follow a rigorous process with three primary phases:	Including social relevance and compliance with Social Business principles, consistency with GCA Fund investment criteria. Verification of economic and social sustainability and management structure.	Analysis of economic, financial and social positioning; business case; governance and human resources; Investment Committee review; agreement of mutually satisfactory investment and reporting terms. This phase includes negotiation of terms of the Social Business Charter.	Accompanying each investment, on-going agreed monitoring and reporting framework; advisory services (capacity building, networking, and other services as needed for success.) In addition, GCA Fund membership of governance entities can be part of this process.



GRAMEEN CRÉDIT AGRICOLE FUND: GOVERNANCE AND ORGANIZATION

Legal structure

The **Grameen Crédit Agricole Social Business Fund** is the sub-fund of a Specialized Investment Fund (SIF), regulated by the Luxembourg Law of 13 February 2007, and supervised by the Commission de Surveillance du Secteur Financier (CSSF). The Fund is a self-managed SICAV, incorporated as a CoopSA: cooperative organised as a public limited company (*société coopérative organisée comme une société anonyme*).

Board of Directors

The Board of Directors defines the investment policy of the Fund and ensures its promotion. It met for the first time on 16 November 2012 in Luxembourg and appointed Professor Muhammad Yunus as Chairman and Jean Michel Severino as Vice-Chairman.

Professor Muhammad Yunus, Founder of the Grameen Bank, is the father of microcredit and the instigator of Social Business. In 2006, Professor Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize. In March 2012, Fortune Magazine named Professor Yunus as “one of the 12 greatest entrepreneurs of our time”.

Mr Jean-Michel Sévérino, Manager of «Investisseurs et Partenaires» is General Inspector of Finances in France. He was Vice President of the World Bank, then General Manager of France’s development agency - Agence française de développement (AFD) - from 2001 to 2010.

The other Directors of the Fund are **Christian Talgorn**, Chairman of the Caisse Régionale de Crédit Agricole du Morbihan and Professor of Law at the University of Rennes-Sud, **Jean-François Abadie**, Managing Director of Crédit Agricole Luxembourg S.A. and **Jean-Luc Perron**, Managing Director of the Grameen Crédit Agricole Foundation. The Board aims to open itself up to qualified individuals in the field of social business and development.

Investment committee

The Board has established an Investment Committee responsible for implementing the investment policy. It is composed of **Professor Huzzatul Islam Latifee**, Managing Director of Grameen Trust, **Raphaël Appert**, Managing Director of the Caisse Régionale de Crédit Agricole Centre Est and **Yves Couturier**, Former Secretary-General of the Fédération Nationale du Crédit Agricole, and has authority to open itself up to qualified individuals or representatives of investors.

Exclusive investment advisor to the fund and key investor: GCA Foundation

The Foundation is the exclusive Investment Advisor to the Fund, performing all due diligence, monitoring and reporting functions among others. Also, the Foundation will play a decisive role in the governance of the Fund and ensure compliance with the guidelines that inspired its creation. In consideration of the services rendered to the Fund, the Foundation is indemnified for its operating costs without profit. The Foundation has a dedicated team of experts for this purpose. The Foundation will hold a 20% stake in the Fund, part of which will be in subordinated shares.

Management

Day-to-day management will be undertaken by two Directors, who have been made available to the Fund by Grameen Crédit Agricole Foundation. They will implement investment decisions, and provide financial management, investor relations, and reporting to the Supervisory Authority.

Custodian and Administrative Agent: CACEIS Bank Luxembourg

CACEIS Bank Luxembourg has been appointed Custodian and Paying Agent as well as Administrative, Domiciliary, Registration and Transfer Agent.

GRAMEEN CRÉDIT AGRICOLE FOUNDATION



The Foundation is the fruit of a unique partnership between Crédit Agricole and Professor Muhammad Yunus «Banker of the poor» and founder of the Grameen Bank. At inception, the Foundation received an endowment of € 50M from Crédit Agricole to contribute in the fight against poverty using microfinance and Social Business. **Jean-Marie Sander** Chairman of Crédit Agricole SA is the Chairman of the Foundation. Among other Directors are **Professor Yunus** and **HRH Maria Teresa, Grand Duchess of Luxembourg**.

GRAMEEN CRÉDIT AGRICOLE FUND: KEY FEATURES

Legal structure	SICAV-SIF, Co-operative company organised as a public limited company (CoopSA)*
Registration date of the Fund	13 November 2012
Regulatory authority	Commission de Surveillance du Secteur Financier, Luxembourg
Date of Visa	14 January 2013
Asset classes	Equity and debt of non-quoted companies
Geographical Focus	Developing countries (>75%) and developed countries (<25%)
Target size of the Fund / length	€ 15 to 20 million / 10 years
Share Classes – ISIN Codes	Ordinary shares A1 (3% entry fee): LU0841677627 Ordinary shares A2 (no entry fee): LU0841677890 Subordinated shares B (3% entry fee): LU0841678195
Share Classes – Nominal values	Ordinary shares: A (nominal value: €10,000) Ordinary shares: A (nominal value: €10,000) Subordinated shares: B (nominal value: €1,000)
Frequency of the NAV	Annual
Closing date	30 June 2013

*For further details, the full Prospectus is available upon request

Custodian, administrative and registration agent	CACEIS Bank Luxembourg
Auditor	Deloitte Audit, Luxembourg
Legal advisor	Elvinger, Hoss & Prussen, Luxembourg
Headquarters	5 Allée Scheffer, L-2520 Luxembourg
Contacts	christophe.person@credit-agricole-sa.fr pascal.webanck@credit-agricole-sa.fr

Disclaimer

The investment objective of GCA Fund is to enable investors to recover the nominal amount of their investment. Being a Social Business Fund, the Fund does not distribute dividends to investors. Upon subscription, investors declare their intention to reinvest, in new Social Business investments any income or profit obtained beyond the amount they have subscribed. It will be offered to investors in the investment vehicles such as Social Business companies, Social Business Funds or Foundations.

Risk Factors

By purchasing shares of Grameen Crédit Agricole Social Business Fund, the following risks should be considered:

- This is a long term investment, it is expected that investors will hold their shares for a period of 10 years.
- The fund represents a risk of partial or total loss of capital.
- The Fund's investments are subject to certain risks that may affect the calculation of the Net Asset Value: currency risk, risks related to transactions and debt or equity investments with targets, risks associated with investments in unlisted securities

or nontransferable and risks related to indirect investments.

- The fund has a low liquidity. The net asset value shall be determined annually on December 31 of each year. The transfer of shares is not guaranteed.

Philanthropic dimension of GCA Fund

Investors do not expect any financial gain from their investment in GCA Fund, as they declare their intention to reinvest any money they could receive beyond the amount of their subscription in a social business.

INVESTORS ARE INVITED TO JOIN THE GCA CLUB



The **Grameen Credit Agricole Club** is a platform for debate and exchange for social entrepreneurs and public and private investors engaged in the Social Business sector. Club members include representatives from, business, finance, philanthropy and the social sector who are interested in being associated with the life of the Fund and of the investees and having privileged insight into the workings of the Social Business Community. They are invited to join the management team at exclusive international conferences held under the auspices of Professor Yunus and to study tours in the areas of activity of the Fund in Africa, Asia or Europe.

The Club is a meeting point for investors who wish to expand their network and support entrepreneurs by providing expertise, advice and coaching.