



Equity investments: long-term partnerships

- Marketing Senegal's mangoes
- India's time for tea



Cover photo: Ama Kade is a member of the Ghanaian cocoa cooperative Kuapa Kooko, Oikocredit partner and supplier of cocoa for Oikocredit's equity partner Divine Chocolate. Read more on pages 3 and 8. Photographer: Pete Pattison (for Divine Chocolate)

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Editorial

Traditionally, Oikocredit has focused on loans but we now invest around € 50 million in equity and this will continue to grow. Private equity investments are very different from loans. We acquire an ownership stake (usually 15-25%) in a private company with a few other shareholders and become an active partner, usually holding a board position. While a loan has a fixed maturity, earns regular interest, is often secured by collateral, and gets repaid, an equity investment is long-term risk capital.

In addition to providing capital, we aim to be active shareholders supporting good governance, strategic decisions, and, even at times, supporting leadership with respect to crisis management.

Oikocredit made the strategic decision in 2005 to build an equity investment unit for two main reasons:

- There were many promising social enterprises with high development potential but such weak balance sheets that they would not qualify for a loan. Oikocredit wanted to properly evaluate such opportunities and risks and, if appropriate, support these enterprises.
- Also, many of our partners wanted us to become a shareholder to support their growth and act as a strategic shareholder bringing a similar social purpose and credibility.

Equity investing is a relationship business requiring a focussed and motivated team of professionals able to build trust and confidence with partners. Our team of specialists which covers Africa, Asia, Latin America and Eastern Europe, wants to contribute to building the business and see our partners achieve financial success, sustainability and social impact.

Stefan Harpe
Manager, equity investments

Oikocredit's equity team



A truly Divine partnership

Oikocredit partner, Divine Chocolate, is a company “owned by cocoa farmers, made for chocolate lovers™”. The chocolate company was started by the cocoa producing cooperative, Kuapa Kokoo, and became a partner of Oikocredit in 2006. Today, Divine Chocolate is the only Fairtrade chocolate company which is 45% owned by cocoa farmers.

As an equity partner of Divine Chocolate, Oikocredit has one seat on the Divine board, along with members of Kuapa Kokoo and various other social enterprises. We spoke with Divine Chocolate managing director, Sophi Tranchell, who recently visited the Oikocredit International office to talk about the work she’s been doing and Divine’s collaboration with Oikocredit.

Has Oikocredit’s participation at board level contributed to Divine’s strategy or performance?

“Yes it has. Oikocredit has been a very supportive partner of Divine, contributing to the professionalization of the company. Oikocredit has taken an active role in our corporate strategy which in turn has helped our overall performance. Our board meets four times a year – three times in the UK and once in Ghana. Oikocredit has always been active in decision making and also participating in visits to villages or cocoa farmers when in Ghana. The fact that Oikocredit people take the time to meet and speak with the cocoa farmers of Kuapa Kokoo means they understand our work and contribute in a positive way.”



Sophi Tranchell

“We refer to Divine as patient capital”

What’s it like having both Oikocredit and Kuapa Kokoo on the Divine board?

“We see it as a very positive thing. Having Kuapa Kokoo on the board gives farmers a voice and enables them to speak as equals. Oikocredit also being a partner of Kuapa Kokoo means it understands their concerns and can relate to them on a different level.”

What qualities does Divine value in a shareholder?

“We refer to Divine as “patient capital”, meaning an investment is more long-term. Our mission is social, much like Oikocredit’s, and that is something we look for in a shareholder. We hope to share our mission and values with our shareholders and help them understand where cocoa

comes from and why it’s an important sector which needs protecting. We want our shareholders to join in the journey of Divine and see the benefits for fair pricing for cocoa farmers. Of course, this is also something we see in Oikocredit, as a long-term social investor that cares about the cocoa producers of Ghana.”

What’s next for Divine and Kuapa Kokoo?

“Last year we helped Kuapa Kokoo launch a radio programme to reach out to its 65,000 members. The programme was such a big success that it will run again this year. We’re also assisting Kuapa Kokoo incorporate women as part of its core strategy and also empower women to become cocoa producers themselves. Divine will also continue to look at other suppliers across the UK and Europe, as well as grow its presence in the US. And, of course, we’re always developing new and exciting flavours that we will be launching next year.”

Oikocredit is an equity partner of Divine Chocolate, investing £ 500,000 in Divine Ltd. and US\$ 1.1 million in Divine Inc. Oikocredit has also provided a credit line to Divine of US\$ 1.2 million for working capital.

Marketing Senegal's mangoes



Members of Copex-Sud in Les Saveurs du Sud's mango factory

As part of Oikocredit's strategic focus on agriculture, Oikocredit invests in several agricultural businesses in Africa, including Senegalese mango processing company, Les Saveurs du Sud SA. Although 75% of Senegal's population works in the agricultural sector, much of the country's rural areas remain underserved in terms of electricity, drinkable water, agricultural equipment and irrigation.

Les Saveurs du Sud is based in the rural area of Casamance, the poorest yet most fertile part of this West African country, where agriculture remains one of the only sources of income for the population. Despite farming being the key economic sector in the region, producers are faced with poor infrastructure, low income levels and insufficient investment. This, combined with the region's remoteness and volatile past has meant farmers lack access to export or even national markets for their produce.

While visiting Casamance, Oikocredit country manager for Senegal, Sambou Coly, saw that around 75% of the mangoes produced by farmers were going to waste or sold to middlemen at throwaway prices. Sambou said he saw the potential for an equity investment in a supply-chain, but first had to unite farmers. "The now president of the cooperative cycled round the region to ask local villages about existing groups and to see if they would like to join together to form a cooperative," said Sambou. "In total, 21 surrounding

villages had groups, so we then sent a partner organization to train local people on how to build the cooperative," Sambou said. The farmer's cooperative, now named Copex-Sud, has around 3,500 members which have come together to produce mangoes. A women's association was also formed from members of Copex-Sud to grow other vegetables such as lettuce and tomatoes. By forming a cooperative and women's association, small-scale farmers have the opportunity to work together to produce quantities large enough for processing and export.

After uniting farmers, Oikocredit Senegal, with the support of Oikocredit International's equity department, helped set-up Les Saveurs du Sud. This provided a commercial company that would buy mangoes and other produce from the farming members of Copex-Sud at a fair price. In 2011, Oikocredit, along with Copex-Sud and other ethical investors became shareholders of the processing company. Since 2010, Oikocredit has provided a series of loans

and equity totalling XOF 205,012,064 (€ 312,518) to Les Saveurs du Sud. With this capital, Les Saveurs du Sud built a modern processing plant to refrigerate and package the mangoes bought from Copex-Sud. The plant not only guarantees a buyer for the mangoes farmed, it also ensures year-round, sustainable employment for 150 people, majority women.

During the 2013 harvest, Oikocredit secured buyers from Europe to import Les Saveurs du Sud's fresh mangoes to be sold in supermarkets and stores. The first containers arrived in the Netherlands in July 2013. When the mango season is over, the plant will start processing the vegetables grown by the women's association.

The main objective for Oikocredit's involvement with Les Saveurs du Sud and Copex-Sud was to improve the livelihoods of smallholder farmers in the Casamance region of Senegal. Part of the conditions of Oikocredit working with Copex-Sud was that women would be entitled to their own land, contributing to social development in the region. By uniting growers and investing in the agricultural value chain through both equity and loans, Oikocredit aims to build a more secure future for the rural farmers of Casamance.

Darjeeling's environmental estates

Oikocredit has been working in India since 1978, investing in equity and providing loans to numerous social enterprises throughout the country. Its most recent equity investment is in Darjeeling Organic Tea Estates Private Ltd., known by its principal estate, Ambootia. The family owned company, led by Sanjay Bansal, is the second largest tea producer in the Darjeeling region and the largest producer of biodynamic Demeter certified tea in the world. It is renowned for its high social and environmental impacts.

The Darjeeling label, which is known for its unique flavour and high quality, has been misused in recent decades by many foreign companies claiming to sell Darjeeling tea while selling a mix of other teas. The Darjeeling Tea Association, under Sanjay's leadership, has worked tirelessly to achieve the 'geographic indication' (GI) certification for teas produced in the Darjeeling region. All tea produced under the Darjeeling label is now recognized by the World Trade Organization and protected from unfair competition. In 2004, Darjeeling Tea was registered as the first GI product in India and in 2011 was registered as a 'protected geographical indication' in the European Union. These were big steps in recognition of Darjeeling tea, now enabling a premium for their high quality.

Obtaining premium prices for its tea has allowed Ambootia to replicate its successes and acquire often abandoned estates where the standards of living for

workers were low and the health of the tea bushes and soil poor. Currently all of Ambootia's 11 estates are producing organic tea and the company will implement organic and biodynamic farming methods in all new estates. As a result, the high standard of the tea will continue attracting a higher premium and be re-invested in workers, the estates and the environment.

Ambootia employs nearly 6,000 workers, benefitting a total population of approximately 39,000. Due to the remoteness of many estates, entire communities and villages have been created within the estates and surrounding areas. The income of many tea estate workers is generated in the form of a cash wage combined with benefits, typically including free accommodation for families, free education, medical benefits and subsidised food. Ambootia has implemented fair and competitive

salaries, an infant nutrition programme, improved housing, health and education for workers and also settled arrears for unpaid staff.

Ambootia has also made environmental sustainability its priority, being recognised by several worldwide certification bodies such as Demeter, Fair Trade and Bio-Suisse. Ambootia focuses on careful soil management and strategic planting and draining systems to retain the natural flavours and health benefits of the tea. To achieve lower carbon emissions, Ambootia's tea estates use pest control made from locally available herbs, compost naturally manufactured on the estates local water sources for irrigation and renewable energy.

Members of the Oikocredit equity team visited the tea estates to see first-hand the impacts the company was making in the area. Equity investment officer at Oikocredit International, Alexander Remy, said what struck him about the tea estate was the quality of the tea plants and what Ambootia was doing for the environment. "We could see that Ambootia is at the forefront of changing the tea industry around in the region and leading by example introducing environmentally sound practices, better treatment to the communities living within the estates and seeking to produce teas of exceptional quality," Alexander said.

In June 2013, Ambootia successfully raised enough capital to acquire more estates to expand its production capacity in Darjeeling. Valuing the company's strong business and commitment to the environmental and social sustainability, Oikocredit invested € 3 million in Darjeeling Organic Tea Estates Private Ltd., acquiring a minority shareholding.

Some of the company's best known tea brands come from its estates in Ambootia, Happy Valley, Monteviot, Moondakotee, Nurbong, Nagri and Chongtong. These can be found in specialty tea shops and selected organic supermarkets worldwide.



Harvesting Ambootia's Darjeeling tea

Partners honoured for outstanding social performance

Two partners in Cambodia were honoured at the Oikocredit annual general meeting in June for outstanding environmental, social and governance (ESG) work in a ceremony attended by Oikocredit investors, members and staff.

Oikocredit managing director, David Woods, said both partners had shown commitment to both social performance and inclusive finance. “It was an honour to present awards to these microfinance partners which have worked so hard to make a social impact in Cambodia,” David said.

VisionFund Cambodia was presented with the overall Award for Outstanding Achievement in Social Performance with a top score in Oikocredit’s ESG scorecard. The microfinance partner offers its clients a wide variety of services ranging from loans to child protection, health and livelihood training.

VisionFund shows strong adherence to client protection principles and has put in place a system for staff feedback and integrated social performance in staff appraisals and incentives.

For the Award for Outreach and Inclusion, both Angkor Mikroheranhvatho Kampuchea Co. Ltd (AMK) and VisionFund Cambodia won. AMK was honoured for being the first microfinance institution (MFI) in Cambodia to cover all the country’s provinces, particularly remote rural areas. AMK has shown consistency in catering to the lowest segment of the rural population and has also developed its own poverty screening tool which regularly measures and monitors its depth of outreach.

VisionFund Cambodia also received recognition for its consistency in reaching out to particularly disadvantaged groups, including people living with HIV/AIDS.



Award ceremony in Cambodia

The objective of the awards was to promote and reward excellence among MFI partners in the field of social performance, while highlighting best practice examples in the most critical aspects of social performance: environmental, social and governance.

Oikocredit supports Bolivia’s superfood



IDEPRO end-client and quinoa farmer Mr Celoso Jallasa Choque

In Bolivia, Oikocredit supports the production of quinoa, a grain that is commonly referred to as a ‘superfood’ which has been grown in the Andes region for the past 3,000 years. Quinoa is the only grain in the world that naturally contains protein, meaning its high nutritional potential can contribute to global food security. The UN has named

2013 the International Year of Quinoa, to focus global attention on the role of quinoa biodiversity, its high nutritional value and cultural contribution to poverty eradication.

In Bolivia, Oikocredit has 16 partners which support the quinoa value chain, including IDEPRO, Instituto para el

Desarrollo de la Pequeña Unidad Productiva, a non-profit micro-finance organization with an office in the remote town of Challapata. Challapata lies at an altitude of 3,738 metres above sea level, has an average temperature of around 8 °C and is known as the ‘capital of quinoa’.

According to Oikocredit country manager for Bolivia, Marisol Fernández, the entire quinoa value chain is extremely important in Bolivia as it generates social and economic development for at least 15,000 family farmers that live in harsh climate areas with infertile soil and little rainfall. “Quinoa is the only source of income for many families,” Marisol explained. “High up in the Andes, only quinoa and a few other plants are able to survive,” said Marisol. Quinoa represents more than 100,000 hectares of production, generating 58,400 tons of grain worth around US\$ 55.7 million in exports.

Oikocredit partner IDEPRO offers specialized financing to all segments of the quinoa value chain, including farmers, processors and trade companies.

Key figures

at 30 June 2013

● total assets ¹	€ 723 million
● total capital outstanding	€ 533 million
● total number of partners	859
● microfinance partners (of total number of partners)	589
● number of investments since inception	2,706
● average loan size total portfolio ²	€ 764,000
● average loan size to microfinance institutions ²	€ 867,000

¹ at 31 December 2012

² based on approved loan amounts

Social performance

at 31 December 2012

Social performance management is a priority for Oikocredit. We monitor certain social performance indicators to ensure our microfinance partners reach the right target groups and provide services that work towards a positive change in people's lives.

Clients reached by Oikocredit's microfinance partners	28 million
● % female clients	84%
● % rural clients	56%
People employed by social enterprises	37,438
● of which permanent jobs	20,556

Latest deals*

at 30 June 2013

CÔTE D'IVOIRE - UCOVISA - XOF 139 million (€ 212,000)

UCOVISA is an agricultural union that brings together 17,000 corn and cashew producers from 12 cooperatives in the northern region of Côte d'Ivoire. The cooperative members are located across three of the region's most impoverished departments, Korhogo, Ferkessédougou and Tengrela. UCOVISA is primarily focused on uniting small scale farmers to secure quality products, whilst gaining access to viable regional and national buyers and a fair price. UCOVISA is a first-time partner of Oikocredit receiving a credit line of XOF 139,000,000 (€ 212,000) in 2013 to increase its commercial undertakings and ensure the profitability of its current activities.

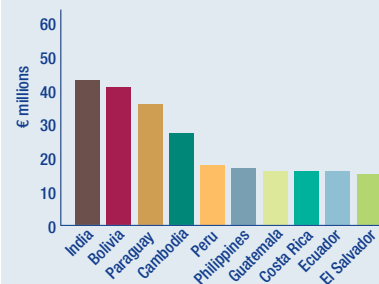
PARAGUAY - VISION BANCO - PYG 2.5 billion (€ 459,000)

Vision Banco is a leading microfinance institution in Paraguay, providing financial services and microloans for over 20 years. Vision Banco's mission is to contribute positively to the economy, create jobs and alleviate poverty by offering sustainable financing solutions throughout the country. Vision Banco offers loans to small to medium enterprises, agricultural initiatives and micro-entrepreneurs with most loans ranging from US\$ 150 to US\$ 9,000. Vision Banco received its first loan from Oikocredit in 2006 to expand its portfolio and became an equity partner in 2008. In 2013, Oikocredit invested PYG 2.5 billion (€ 459,000) in Vision Banco. This latest deal takes Oikocredit's total investment in Vision Banco to PYG 35.8 billion (€ 6.1 million).

* based on approved loan amounts

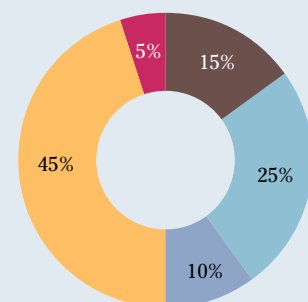
Countries with highest capital outstanding

at 30 June 2013



Funding by region

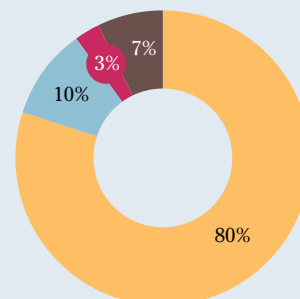
at 30 June 2013



■ Africa
■ Latin America
■ Asia
■ Central and Eastern Europe
■ other regions

Funding by sector

at 30 June 2013



■ microfinance*
■ agriculture
■ trade
■ other

* including microcredit, SME finance and wholesale funding

More than an investor



Cord Budde

Cord Budde has been an investor in Oikocredit since 2005. He took part in a road show event for Paraguayan Oikocredit partner Manduvirá in Cologne last year. Cord is the CEO of chocolate factory Ludwich Weinrich GmbH & Co KG in Herford, Germany, and has a lot to do with Oikocredit other than his personal investment. Cord's factory produces the chocolate for Oikocredit equity partner, Divine Chocolate. The chocolate is also made from cocoa from Oikocredit partner in Ghana, Kuapa Kokoo which is a shareholder in Divine. The organic sugar for other products his company produces comes from Oikocredit partner Manduvirá.

Cord's dedication to fair trade chocolate was shared by the generations before him. His family company was the first to bring fair trade chocolate to the German market, with 35% of his company's products now being fair trade. The company aims to almost double this in the coming two years.

Why did you choose to invest in Oikocredit?

"I learned about Oikocredit through Oikocredit's fair trade manager, who was on the board of Divine Chocolate, which my company produces chocolate for. I wholeheartedly embrace the Oikocredit approach of supporting entrepreneurs by providing access to finance."

Why has your company focused on fair trade?

"I first and foremost wanted to contribute to the improvement of people's lives in countries experiencing a large amount of poverty. Nowadays fair trade can contribute to the continuity of the cocoa market, which I find very important. The demand for chocolate continues to rise, while more and more farmers change from farming cacao to palm oil, as that means a higher income for them. We need to support fair prices for cocoa so farmers will continue to farm cocoa."

Your company was founded in 1895 by your great grandfather. Where do you see the future of Ludwich Weinrich GmbH heading?

"I have four children. Two of them have shown interest to work in the company."

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About us

Oikocredit is one of the world's largest sources of private funding to the microfinance sector. We provide credit and equity to small businesses through microfinance institutions across the developing world and directly to trade cooperatives, fair trade organizations and small-to-medium sized enterprises (SMEs).

We offer a dual return to our investors: social and financial. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to fight poverty, promote fair trade and respect our planet's natural resources.

Participation

Interested in participating in Oikocredit? Please contact the Oikocredit International office:

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