

Public Information Summary

Host Country	Regional Sub-Saharan Africa
Name of Borrower	ETC Group
Project Description	The Project is to fund long-term working capital lines in maize, pulses and cashews commodity trade finance activities in Mozambique, Zambia and Tanzania in response to the COVID-19 pandemic.
Proposed DFC Loan	A 3-year direct loan of an amount up to \$50 million.
All-Source Funding Total	\$150.0 million
Policy Review	
Developmental Objectives	The Project is expected to have a highly developmental impact on the host countries of Tanzania, Zambia, and Mozambique through the development and procurement of agriculture staple crops from smallholder farmers, as well as through the creation of formal job opportunities in countries where an average of 80% of employment comes from the informal sector. These countries suffer from food insecurity, malnutrition, and child stunting, which stems in part from an underproductive and inefficient agriculture sector leading to low human capital development. The World Bank estimates that undernutrition costs these three countries annually up-to 11% of GDP. Smallholder farmers form the majority of the agricultural sector in these markets, but are constrained by low productivity, labor intensive agricultural methods, poor post-harvest storage and a lack of market linkages. The Project will help improve performance in the agriculture sector through provision of agricultural supply chain services, and the annual purchase of over 100,000 MT of agricultural commodities from an estimated over 30,000 smallholder farmers.
Environment and Social Assessment	<p>SCREENING: The Project has been reviewed against DFC’s 2020 Environmental and Social Policy and Procedures (“DFC ESPP”) and has been determined to be categorically eligible. The Project was screened as a Category B under DFC’s ESPP because working capital activities do not present significant adverse environmental and social risks and/or impacts.</p> <p><u>Key environmental and social risks associated with this Project</u> include the potential for forced and child labor, occupational health and safety risks (e.g., use of pesticides), the potential for prohibitions on freedom of assembly and collective bargaining, community health and safety, and risks associated to the supply chain.</p> <p><u>Climate Vulnerability Assessment:</u> The effects of climate change will have a major impact on production and sourcing of agricultural commodities in many African countries. Extreme weather conditions, such as drought and heavy rainfall, are putting pressure on products</p>

including grains, coffee, vegetables, fruit, and many other crops. In 2021, ETG, in conjunction with Wageningen University (Netherlands), started an initiative around climate risk that aims to generate insights in the physical impact of climate change in 20 countries and 15 agricultural products (including Maize and Pulses) across the continent and to identify viable and practical improvement options for climate mitigation and adaptation.

APPLICABLE STANDARDS: Under DFC's ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance. DFC's environmental due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following International Finance Corporation's (IFC) 2012 Performance Standards (PS):

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts;
- PS 2: Labor and Working Conditions;
- PS 3: Resource Efficiency and Pollution Prevention; and
- PS 4: Community Health, Safety and Security.

In addition to the above standards, the Project will also be required to meet applicable provisions of the IFC's Environmental, Health, and Safety (EHS) General Guidelines (2007) and the EHS for Food and Beverage Processing (2007). Under DFC's ESPP, the Project is required to comply with applicable national laws and regulations related to environmental and social performance.

Environmental and Social Risks and Mitigation Measures: The Borrower has developed a Social and Environmental Management System (ETGMS) to provide a comprehensive approach to managing Project-related environmental and social risks and ensure compliance with relevant standards. The Borrower's organizational capacity, training, monitoring, and reporting procedures are all designed to manage the identify environmental, social and safety risks to acceptable levels. Child and forced labor risks will be managed using procedures to prevent children and young workers from engaging in hazardous work, such as employee minimum age and work permit checks, the provision of financial and educational resources, and strict procedures regarding working hours. Occupational health and safety management practices include Hazard Analysis Critical Control Points (HACCP), risk assessments, and hazardous material management procedures to identify, evaluate, and control hazards which are significant in the trade of agricultural commodities. Adequate fire prevention and control and other safety measures will also be in place. To mitigate supply chain

	<p>risks, the Borrower requires suppliers and contractors to complete annual performance questionnaires to ensure compliance with relevant standards, including the ISO, OHSAS, and SA standards, the IFC Performance Standards and the ILO Conventions. The Borrower has in place adequate systems to uphold employee freedom of association and collective bargaining. The Borrower will be required to implement a Stakeholder Engagement Plan to allow the effective participation of affected and interested stakeholders in information dissemination and consultation activities.</p>
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