

FINDEV CANADA TRANSACTION SUMMARY¹

PFF 2 Parallel LLC ("PFF 2")

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

PFF 2 PARALLEL LLC ("PFF 2") is a pan-African private equity fund seeking to service the African consumer, mainly from the bottom of the pyramid, around a mandate to "feed Africa" with the expansion of local food production and distribution. PFF 2 will contribute to food security in Sub-Saharan Africa by making responsible investments across the African food value chain, including in mechanization, inputs, poultry and meat production, food processing and manufacturing, logistics, aggregation and distribution across Sub-Saharan Africa.

Transaction Details

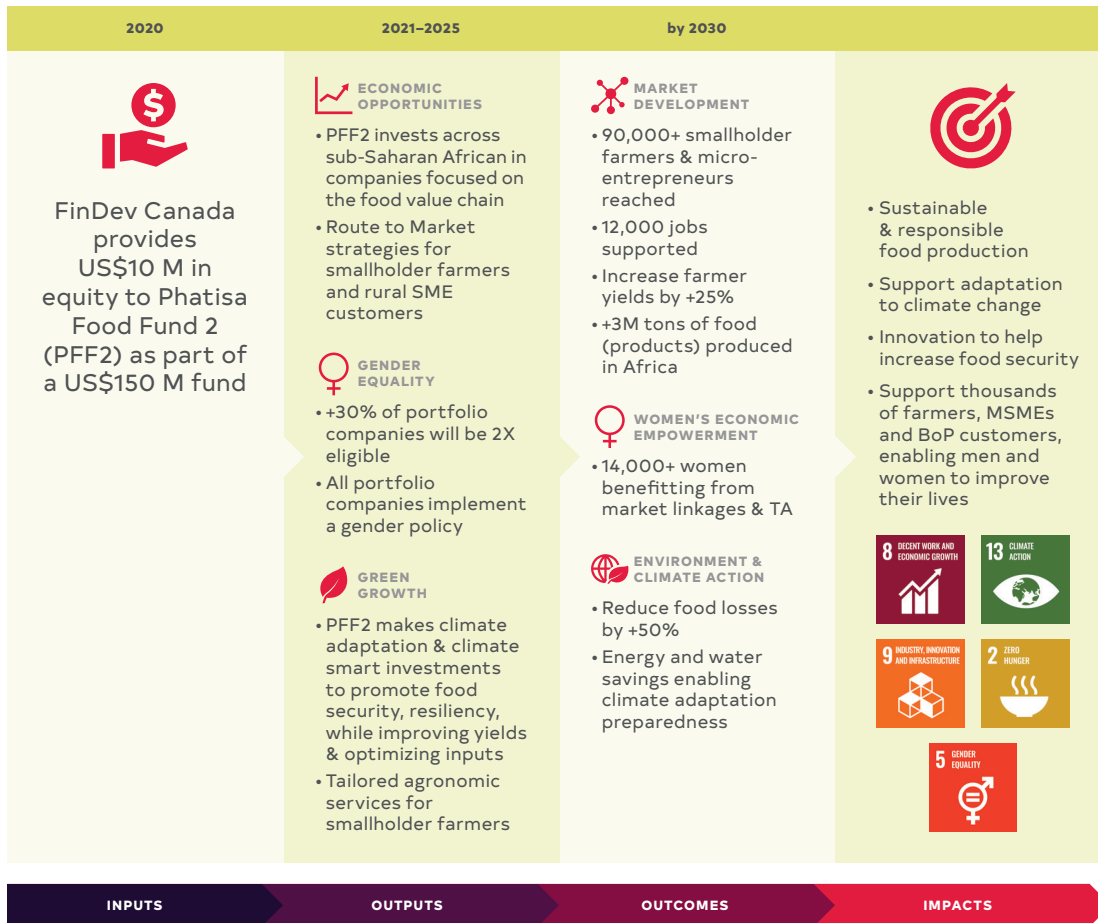
COUNTERPARTY	PFF 2 PARALLEL LLC ("Phatisa", "PFF 2", "Fund")
DOMICILE OF INCORPORATION	Mauritius
DOMICILE OF OPERATIONS	Multiple countries across Africa
TERM OF FINANCING	Financial Services
SECTOR	Category FI-2
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Equity
FINANCING PRODUCT	USD 10 million
FINDEV CANADA TRANSACTION AMOUNT	16 September 2020
DATE OF TRANSACTION DISCLOSURE	29 January 2021
DATE OF TRANSACTION SIGNING	30 April 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	Yes, under direct (leadership and employment) and indirect criteria
2X CHALLENGE QUALIFYING	Yes, under employment criterion

¹ This document follows key requirements spelt out in the Interim Disclosure Policy, effective on Jan. 22, 2018: https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to provide growth capital for agriculturally-focused companies that have the capacity to support food security in Africa by: i) sustaining thousands of quality jobs for women and men, ii) promoting climate-smart agriculture, and iii) fostering agricultural innovation to increase responsible food production, all the while reaching smallholder farmers and customers at the base-of-the-pyramid (“BoP”).

In addition, Phatisa is setting up a technical assistance program to support its portfolio companies and smallholder farmers in areas of market linkages and sustainable agriculture practices.





MARKET DEVELOPMENT

- **Creating quality jobs:** PFF2 aims to create over 2,000 permanent jobs and sustain another 10,000 jobs. The investment follows the success of Phatisa's African Agriculture Fund (AAF), which has created more than 1,800 jobs and benefitted 86,000 farmers operating in over 20 markets across Africa.
- **Supporting smallholder farmers:** The Fund, via its investment in companies in the food value chain, targets over 90,000 smallholder farmers and micro-entrepreneurs and will enable them to develop their skills, broadening access to markets and economic opportunities.
- **Increasing agricultural output:** PFF2 will also address access to, and affordability of products among farmers and promote smart agricultural methods - enhancing crop resilience, reducing food loss and waste by 50% in the companies it finances, while increasing outputs, yields and incomes.



WOMEN'S ECONOMIC EMPOWERMENT

- **Increasing women's employment:** PFF2 is expected to benefit more than 36,000 female employees, farmers, and customers through creation of new market linkages and the provision of technical assistance. Through its first fund, Phatisa successfully increased the share of women's employment among its investee companies, a result they expect to replicate through PFF2.
- **Advancing gender equality in the workplace:** PFF2 completed the Women's Empowerment Principles (WEPs). In addition to its initiatives and policies supporting gender equality at the Fund level, Phatisa will work with its portfolio companies to develop gender policies with targets to improve their gender performance. All of the Fund's portfolio companies will be required to have and implement a gender equality policy.
- **Supporting women's business ownership, leadership, and decent employment:** Phatisa is qualified for the 2X Challenge based on women's representation at its senior management level and the provision of quality employment for women, in addition to the Fund's commitment to channel 30% of its investments to 2X eligible companies².



CLIMATE MITIGATION AND ADAPTATION

- **Supporting climate-smart agriculture:** The Fund will invest in companies that deploy climate-smart agricultural solutions such as drip-irrigation, high-yield seeds, drought resistant crops, GPS satellite navigation, precision agriculture, zero- or low-tillage farming, water and energy management systems, intercropping and soil fertility.
- **Encouraging sustainable agricultural practices:** For each investment, Phatisa identifies climate impact targets, such as carbon emissions avoided or energy efficiency, and provides direct support to portfolio companies in creating an appropriate implementation plan. In addition, the Fund is committed to ensure that all its investees have water management plans, including wastewater.

² Refer to the 2X Challenge website for more details on qualification criteria: <https://www.2xchallenge.org/criteria>

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This review has been completed in accordance with FinDev Canada's Environmental and Social Policy. From an environmental and social perspective, the risks associated with this transaction lie with the individual companies that PFF2 will invest in using the funds provided by FinDev Canada, and the potential impacts that those companies will have on people and the environment.

The transaction is rated as Category FI-2, which is equivalent to Category B and specific to financial intermediation organizations as the target sectors for the Fund are comprised of business activities that are Category B, which are defined as having limited adverse environmental or social risks that are few in number, site specific and readily addressed through mitigation measures.

During due diligence, FinDev Canada reviewed Phatisa's policies, management systems, reporting and monitoring templates and capacity as they relate to the organizations' ability to manage the environmental, social, climate and human rights risks of its portfolio. An assessment of labour practices was also undertaken through review of Phatisa's human resources strategies, policies and tools. Information that was not publicly available was sought through a due diligence questionnaire and calls with representatives from Phatisa and other DFI lenders.

Phatisa applies the IFC Performance Standards and other international standards and guidelines to all their client financing distributed through PFF2. Phatisa's application of these standards, along with the organizations' adequate management capacity, are the primary mitigants for any potential environmental, social and human rights risks and impacts associated with its portfolio companies. Phatisa also has an Exclusion List which restricts the company from investing in high risk sectors and contexts and the organization's environmental and social management system is designed to meet international standards

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada assessment along with the IFC Interpretation Note on Financial Intermediaries, in addition to host country requirements:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions