

FINDEV CANADA TRANSACTION SUMMARY¹

AGRI Commodities & Finance FZE FZ-LLC ("ACF")

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

Export Trading Group ("ETG"), the parent company of AGRI Commodities & Finance FZE FZ-LLC ("ACF"), manages a vertically integrated agriculture supply chain including origination, procurement, processing, warehousing, transport, distribution and merchandising across more than 50 countries, centered around Sub-Saharan Africa. ETG's strategy is to build trading relationships within essential agri-commodity sectors and facilitate exports and imports as well as value-added processing.

Transaction Details

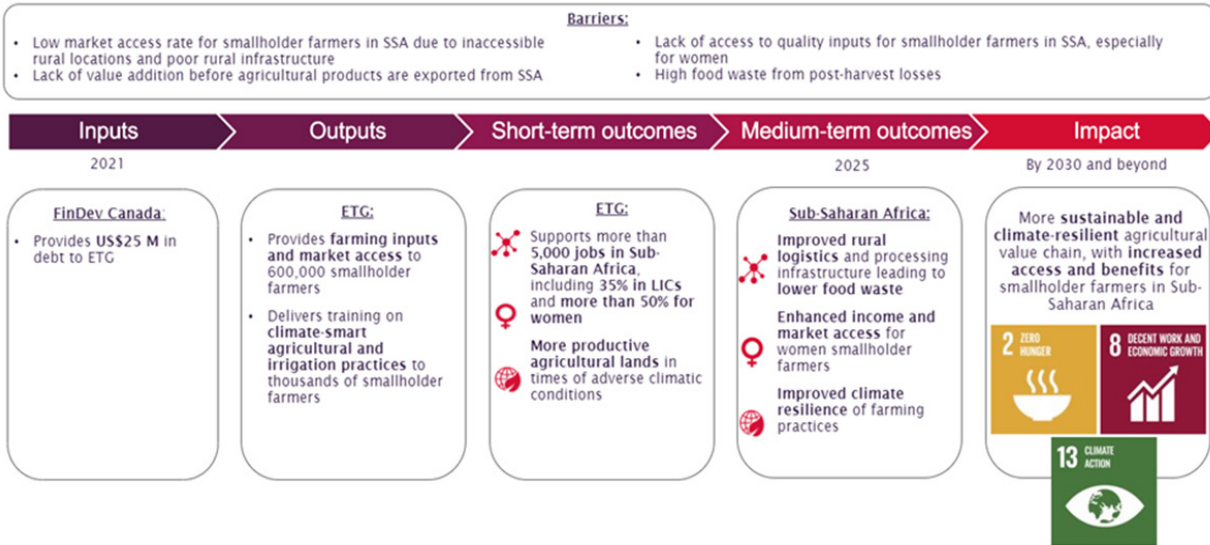
COUNTERPARTY	AGRI Commodities & Finance FZE FZ-LLC ("ACF", the "Borrower")
DOMICILE OF INCORPORATION	Dubai
DOMICILE OF OPERATIONS	Sub-Saharan Africa
SECTOR	Agribusiness
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category A
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	USD 25 million
DATE OF TRANSACTION DISCLOSURE	19 January 2021
DATE OF TRANSACTION SIGNING	1 March 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	2021
2X CHALLENGE QUALIFYING	No

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 improve agricultural output and market opportunities for smallholder farmers in Sub-Saharan Africa ("SSA"), including in least developed countries ("LDCs"), create and maintain local jobs, while providing climate adaptation services to smallholder farmers. ETG is addressing several systemic challenges faced by the agricultural sector in SSA, notably as it relates to reduction of food waste, improvement of supply chain infrastructure and access to inputs and services for smallholder farmers.

This transaction comes as part of FinDev Canada's COVID-19 response to support liquidity for agribusiness in Sub-Saharan Africa.





MARKET DEVELOPMENT

- **Supporting decent employment in least-developed countries:** ETG has more than 5,000 employees across SSA, 60% of which are in LDCs, including Malawi, Mozambique, Tanzania and Zambia.
- **Building the agricultural supply chain infrastructure:** ETG operates more than 100 processing plants and 450 warehouses, and is one of the largest investors in rural processing and logistics in the agricultural sector of SSA, thereby significantly contributing to reducing post-harvest losses. ETG uses this supply chain infrastructure to source over 80% of its agricultural commodities at farm gate, providing market opportunities and enhanced income to African farmers.
- **Providing inputs and market access to smallholder farmers:** ETG is one of the largest importers and distributors of fertilizers and agrichemicals in Africa, reaching smallholder farmers in remote areas which have historically lacked access to agricultural inputs. In addition, it provides value-added services to smallholder farmers, such as input finance, farm management training, agricultural advisory, and transportation solutions.



WOMEN'S ECONOMIC EMPOWERMENT

- **Providing quality jobs for women:** ETG provides childcare facilities staffed with teachers on some of its sites in an endeavour to retain and support women workers, who represent 59% of ETG's 5,000 employees in Africa, for whom the lack of childcare solutions can be a barrier to employment. ETG also has a paid maternity leave policy and provides on-site health services and healthcare insurance to all its employees.
- **Supporting women smallholder farmers:** ETG supports more than 600,000 farmers, approximately 35% of which are women. Through its business model based on farm-gate procurement and farmer support, ETG is addressing gender equality gaps in the agricultural sector in SSA by providing women smallholder farmers with increased access to inputs, services and market access for their products.
- **Creating opportunities for women entrepreneurs:** ETG has entrepreneurship programs for women, whereby they provide training to support them in building their own small businesses and integrating them in ETG's value chain, when possible. For example, 30% of ETG's container shops for fertilizers in Tanzania and Mozambique are run by women.



CLIMATE MITIGATION AND ADAPTATION

- **Providing climate adaptation services:** ETG has a team of agronomists in SSA who advise farmers on climate-smart agricultural and irrigation practices, thereby improving the use of agricultural inputs and water during the cropping cycle. These advisory services support farmers in adapting to climate change impacts, such as more frequent and prolonged droughts, and increased variability in precipitation patterns.
- **Reducing greenhouse gas emissions:** ETG measures its scope 1 and 2 greenhouse gas emissions at all sites and has implemented various initiatives to reduce its energy consumption, including energy efficiency measures, improved lighting and ventilation in plants and rolling out employee awareness programs.

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. We consider the transaction to be Category A, which is defined as business activities with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible and unprecedented. As a Category A transaction, FinDev Canada is required to provide a 30-day ex-ante disclosure of the transaction, located on the [Transparency page](#) of our website.

The environmental and social risks attributed to this transaction are due to the nature of ETG's business and sourcing of high-risk commodities in developing markets throughout Sub-Saharan Africa. Risks of child and forced labour are particularly high in the production of raw materials such as cotton, cocoa, coffee and sugar. Occupational health and safety issues among supply chain workers relating to personal protective equipment (PPE) access and hazardous materials handling (e.g. pesticides) also pose a risk. Poor agricultural practices can also cause adverse environmental impacts such as deforestation, erosions and soil loss and loss of biodiversity.

During due diligence, FinDev Canada reviewed the company's track record, responses to due diligence questions, environmental and social documentation, and had discussions with representatives from the client and another development finance institution (DFI). Environmental and social documents reviewed included ETG's Environmental and Social Management System (ESMS), Annual Sustainability Reports and human resources policies. FinDev Canada did not undertake a site visit due to the ongoing COVID19 pandemic and associated travel restrictions.

ETG has experience working with other DFIs and has worked to establish environmental and social systems which align with the applicable IFC Performance Standards. The company is actively working to address and prevent adverse environmental, social or human rights risks associated with its operations and supply chain. ETG is working alongside other DFIs to develop and strengthen their management systems in order to meet best practice within their operations and supply chains.

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada assessment 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
- IFC Performance Standard 3: Resource Efficiency and Pollution Prevention
- IFC Performance Standard 4: Community Health, Safety, and Security
- IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement
- IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources