

FINDEV CANADA TRANSACTION SUMMARY¹

ETC Group

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

ETC Group is the Parent company of ETG, a global conglomerate with a presence in 48 countries, spanning six continents. The Group has a diverse portfolio of expertise across various industries, encompassing agricultural inputs, logistics, food processing, technology, and supply chain optimization. Since establishment in 1967, the group remains passionately committed to developing the African continent and its communities.

Transaction Details

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|---|-----------------------------------|
| COUNTERPARTY | ETC Group ("ETG", the "Borrower") |
| DOMICILE OF INCORPORATION | Mauritius |
| DOMICILE OF OPERATIONS | Sub-Saharan Africa |
| SECTOR | Agribusiness |
| IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY | Category A |
| FINANCING PRODUCT | Debt |
| FINDEV CANADA TRANSACTION AMOUNT | USD 55 million |
| DATE OF TRANSACTION DISCLOSURE | 14 November 2022 |
| DATE OF TRANSACTION SIGNING | December 28, 2022 |
| DATE OF TRANSACTION SUMMARY PUBLICATION | March 27, 2023 |
| 2X CHALLENGE QUALIFYING | No |

¹This 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.

Moreover, this transaction is additional to a US\$ 25M facility made available in March 2021 to one of ETG's subsidiaries, Agri Commodities & Finance FZE ("ACF"), as part of a syndicated facility led by the Dutch DFI, FMO.

Barriers:

- Low market access rate for smallholder farmers in SSA due to inaccessible rural locations and poor rural infrastructure
- Lack of access to quality inputs for smallholder farmers, especially for women
- Lack of value addition before agricultural products are exported from SSA
- High food waste from post-harvest losses





MARKET DEVELOPMENT

- **Supporting decent employment in least developed countries:** ETG supports about 6,500 jobs in SSA, more than 50% of which are in LDCs, including Malawi, Mozambique, Tanzania, and Zambia.
- **Building the agricultural supply chain infrastructure:** ETG operates more than 110 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, the company 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 approximately 2,600 jobs for women in Africa. The company 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 inequalities in the agricultural sector in SSA by providing women smallholder farmers with increased access to inputs, services, and market access for their products.



CLIMATE ACTION

- **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 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. FinDev Canada considers 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. This transaction was initially disclosed on FinDev Canada's website on November 14, 2022.

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 SSA. The primary impact areas identified as high risk for ETG's operations are: 1) child and forced labour in the production of raw materials such as cotton, cocoa, coffee and sugar; 2) occupational health and safety issues among supply chain workers relating to personal protective equipment (PPE) access and hazardous materials handling (e.g., pesticides); and 3) poor agricultural practices can 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, implementation of deliverables required under the previous transaction, responses to due diligence questions, updates to environmental and social documentation, updates given by ETG during Environmental and Social Action Plan (ESAP) quarterly calls and had discussions with representatives from the client and FMO.

ETG has experience working with FinDev Canada and 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 FinDev Canada and 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