TRANSACTION SUMMARY

Surpapelcorp S.A

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

Transaction description

Based in Ecuador, Surpapel is a vertically integrated sustainable cardboard manufacturing company that operates three subsidiaries, bringing together operations across wastepaper collection, paper mill, and cardboard box manufacturing.

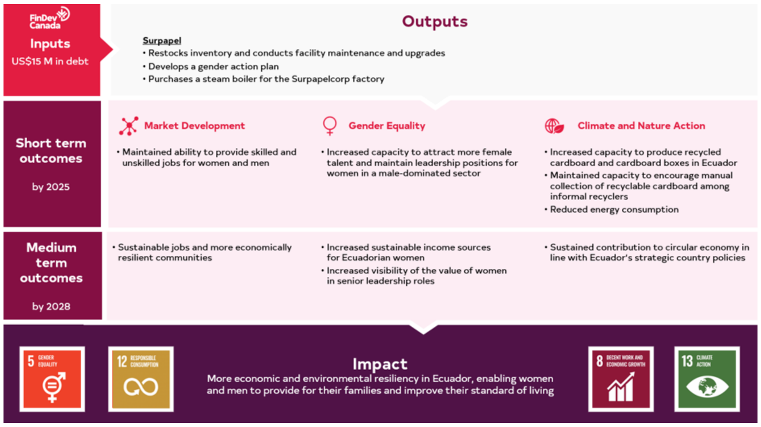
Transaction description

COUNTERPARTY	Surpapelcorp S.A. and Productora Cartonera S.A.
DOMICILE	Equador
COUNTRY(IES) OF OPERATION	Equador
TERM OF FINANCING	3 years
SECTOR	Forestery and Value Chains
E&S CATEGORY	B
FINANCING PRODUCT	Debt
2X CANADA TRANSACTION AMOUNT	USD 3 million
FINDEV CANADA TRANSACTION AMOUNT	USD 15 million
DATE OF TRANSACTION DISCLOSURE	24 novembre 2023
DATE OF TRANSACTION SIGNING	25 mars 2024
2X ALIGNMENT	Yes, under leadership criteria

Summary of anticipated development impacts

The development impact value proposition of this transaction is to support the local Ecuadorian economy by providing local and export markets with recycled cardboard and cardboard boxes. This transaction is expected to enable Surpapel to increase local paper waste collection while reducing its carbon footprint and supporting quality employment opportunities in the country.

The impact theory of change below illustrates how this transaction will contribute to FinDev Canada's long-term development impact goals and the UN Sustainable Development Goals ("SDG"), particularly SDG 5 "Gender Equality", SDG 8 "Decent Work and Economic Growth", SDG 12 "Responsible Consumption", and SDG 13 "Climate Action".



MARKET DEVELOPMENT

- **Strengthen the local economy and local value chains:** By supporting Surpapel's recycled cardboard box production, of which approximately 80% is used for local and export of Ecuadorian fresh goods, Surpapel is contributing to the local economy.
- **Provide quality employment in the country and improve local working conditions:** Surpapel's permanent employees have access to benefits that go beyond minimum national legal requirements. It also contracts thousands of autonomous recyclers, providing them with job opportunities, stable income, and training opportunities.

CLIMATE AND NATURE ACTION

- **Contribute to shaping a circular economy:** Surpapel uses a share of recycled cardboard as raw materials, which enhances its operational efficiency while aligning with Ecuador's National Strategy and Action Plan for the Circular Economy Transition.
- **Contribute to avoiding greenhouse gas (GHG) emissions:** By producing recycled carboard and implementing water-saving measures, Surpapel is reducing its GHG emissions and negative environmental impacts.

GENDER EQUALITY

- **Support women in leadership positions:** Through its hiring practices, Surpapel encourages women to occupy factory positions as well as mid and senior leadership roles. The company is committed to developing a gender action plan.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This transaction has potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. The primary risks of Surpapel's operations are:

- Occupational health and safety and environment;
- Resource efficiency and pollution prevention (e.g., management of emissions to air and water, noise, wastewater treatment and disposal);
- Emergency preparedness and response (e.g., fire safety);
- Primary supply chain management, including contextual risks associated to human rights (i.e., child labour, labour and working conditions), and gender-based violence and harassment ("GBVH") in the informal recycling sector.

E&S risks are mitigated by Surpapel's Environmental and Social Management System ("ESMS") and all the related policies, procedures, manuals and tools developed to support the implementation of the System. Surpapel is working to implement the requirements included in an Environmental and Social Action Plan ("ESAP"), to further align with the IFC Performance Standards and mitigate and manage the E&S risks associated to its operations.

This review was completed in accordance with FinDev Canada's Environmental and Social Policy. In addition, FinDev Canada conducted a review of relevant Environmental and Social documents provided by the client that include the ones listed below:

- Environmental and Social Policies for Repapers, Surpapelcorp, Procarsa and Surpapel Group, 2019.
- Environmental and Social Management System, 2022.
- Human Resources policies and procedures, 2022.
- Supplier Code of Conduct, 2022.
- Occupational Health and Safety policies and procedures, 2022.
- Stakeholder Engagement Plan, 2023, and community engagement supporting documents.
- Additional documents such as Grievance Mechanism, risk identification and management procedures and tools, supply chain management project implementation, and environmental risks management.

The following IFC Performance Standards were applied in FinDev Canada's 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: Labour and Working Conditions
- IFC Performance Standard 3: Resource Efficiency and Pollution Prevention
- IFC Performance Standard 4: Community Health, Safety, and Security