

# FINDEV CANADA TRANSACTION SUMMARY

## ETG

*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

ETC Group (ETG) is a large and diversified conglomerate and supply chain manager with a significant footprint in Africa. Established in 1967 in Kenya, the Group owns and operates a vertically integrated supply chain, covering procurement, processing, warehousing and distribution. ETG manages over 460 warehouses and operates more than 120 processing plants across its extensive network.

The transaction consists of an up to 5-year senior unsecured loan of USD 75M to ETG. The loan is part of a syndicated, up to USD 600M Sustainability-Linked Loan (SLL) aimed at supporting ETG's working capital requirements in Africa. This is FinDev Canada's third transaction with ETG, following a USD 25M loan financing to its subsidiary Agri Commodities & Finance FZE in 2021 and a USD 55M loan to the Group in 2022.

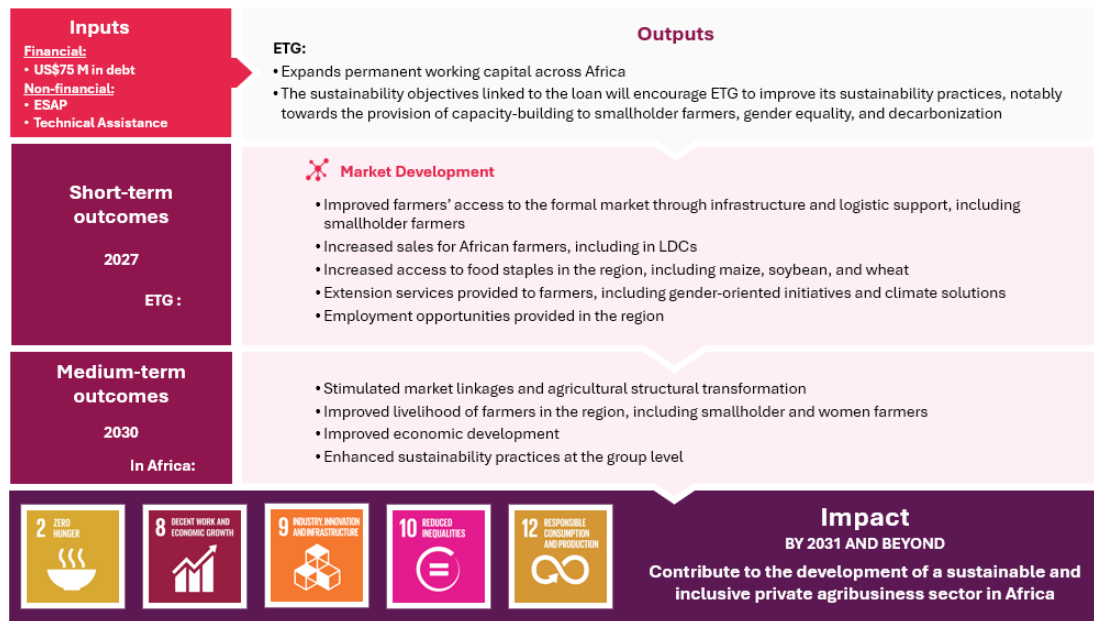
### Transaction Details

<b>COUNTERPARTY</b>	ETC Group ("ETG")
<b>DOMICILE</b>	Mauritius
<b>COUNTRY(IES) OF OPERATION</b>	Multiple countries in Africa
<b>TERM OF FINANCING</b>	3 years initially, up to 5 years if extended
<b>SECTOR</b>	Agribusiness and related value chains
<b>E&amp;S CATEGORY</b>	Category A
<b>FINANCING PRODUCT</b>	Debt
<b>FINDEV CANADA TRANSACTION AMOUNT</b>	USD 75M
<b>DATE OF TRANSACTION DISCLOSURE</b>	4 September 2024
<b>DATE OF TRANSACTION SIGNING</b>	20 November 2024
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	25 March 2024
<b>2X ALIGNMENT</b>	No

## Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to contribute to the development of a sustainable and inclusive private agribusiness sector in Africa. Through its integrated value chain, ETG supports the integration of smallholder farmers into the formal agricultural market, thereby improving farmers' livelihoods and economic development on the continent.

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 2 "Zero Hunger", SDG 8 "Decent Work and Economic Growth", SDG 9 "Industry, Innovation and Infrastructure", SDG 10 "Reduced Inequality", and SDG 12 "Responsible Consumption".



### MARKET DEVELOPMENT

- **Strengthening local agricultural value chains:** ETG improves the continent's agricultural structural transformation and market linkages. It sources commodities from smallholder farmers in Africa, provides access to productive agricultural inputs, grants entry to a diverse pool of global buyers, and ensures a reliable and fair remuneration for products at farm-gate.
- **Strengthening local economy value-add:** Through the provision of agricultural extension services, including gender-oriented services, climate solutions, storage, and regional value chain integration, ETG enables smallholder farmers to optimize their agricultural productivity. This in turn improves food security by reducing overall post-harvest loss and increasing smallholder incomes, while improving regional agriculture value-add.
- **Supporting employment opportunities:** Across its large African network of storage locations, logistics infrastructure and processing plants, ETG supports over 8,500 formal employment opportunities.
- **Advancing ETG's corporate sustainability:** ETG has set corporate objectives linked to the SLL. For example, it aims to enhance the delivery of gender-oriented services to women farmers, increase its provision of training to smallholder farmers, and enhance efforts towards decarbonization. As a major agricultural player in the region, these improvements could promote sustainability in the agricultural market more broadly.

## 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 Risk 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 September 4, 2024.

The environmental and social risks attributed to this transaction are due to the nature of ETG's business activities and operations, and sourcing of high-risk commodities in developing markets throughout Sub-Saharan Africa. 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 transactions, responses to due diligence questions, updates to environmental and social documentation, information regarding the sustainability-linked loan, updates given by ETG during Environmental and Social Action Plan (ESAP) quarterly calls, as well as discussions with representatives from the client.

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 during the 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 Resource