

Host Country	Sri Lanka
Name of Borrower	Ma's Tropical Food Processing (Private) Limited
Project Description	Capital expenditure program, long-term working capital and partial refinancing for an Organic and Fairtrade meal solution / food company.
Proposed DFC Loan	\$5,000,000
All-Source Funding Total	\$5,530,000
Policy Review	
Developmental Objectives	<p>This project is expected to have a highly developmental impact in Sri Lanka through the investment in a food services company that will create new jobs, especially for women, as well as support small-scale farmers through both increased purchasing and training programs. Sri Lanka has high levels of informal employment and suffers from rural poverty, stemming in part from low-income levels among small-scale farmers. More broadly, the economy of Sri Lanka faces a challenging economic outlook as it recovers from the COVID-19 pandemic, with poverty levels significantly above what they were in 2019 and continued macroeconomic challenges. Additionally, high prices threaten to increase food insecurity and slow down the country's poverty reduction efforts. Ma's Foods not only produces many foods products popular inside and outside of Sri Lanka, but through its expansion it is expected to provide over 126 new jobs, with at least 65% going to women. In addition, the expansion will involve an increase in its supplier network from 267 to 1,117 farmers, who will also be able to receive technical assistance to support efforts such as obtaining Fair Trade certification.</p>
Environment and Social Assessment	<p>Screening: This Project has been reviewed against DFC's 2020 Environmental and Social Policy Procedures ("ESPP") and has been determined to be categorically eligible. Investments in projects involving food manufacturing are screened as Category B projects under DFC's environmental and social guidelines.</p> <p>The primary Environmental and Social issues identified with the Project include the need for robust management of: occupational, health and safety; food quality, safety and hygiene; air emissions from on-site boilers and generators; emergency preparedness and response; and labor management, including supply chain management.</p> <p>The Project is subject to a Climate Change Resiliency Assessment per Executive Order 13677.</p>

Applicable standards: Under DFC's ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance. DFC's environmental due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following International Finance Corporation's (IFC) 2012 Performance Standards (PS):

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts;
- PS 2: Labor and Working Conditions;
- PS 3: Pollution Prevention and Abatement; and
- PS 4: Community Health, Safety and Security.

A desk-review based due diligence assessment indicates that the Project involves existing food processing facilities that are not located in or near protected areas or sensitive ecosystems. Therefore PS 6 is not triggered at this time. The Project utilizes a small number of contracted and unarmed security guards who monitor access to the facilities. The guards are trained in the company's policies and procedures (including code of ethics).

Significant adverse impacts concerning land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated. Therefore, PS 5, 6, 7, and 8 are not triggered at this time.

In addition to the above, the Project will be required to comply with the applicable provisions of the IFC's Environmental, Health, and Safety (EHS) General Guidelines (2007), IFC's EHS Guidelines for Food and Beverage Processing (2007), and IFC/EBRD Workers Accommodations Processes and Standards (2009).

Key environmental & social issues and mitigation: The Project involves expansion of a food manufacturing company composed of three manufacturing plants, an administrative office, and a small warehouse.

The Project has developed policies and procedures in line with ISO 14001 and 45001. MA's OHS and ESMS ("OHSE") Manual and associated Standard Operating Procedures describe hazard identification, risk assessment, and risk control processes; roles and responsibilities for implementing OHS procedures; monitoring; documentation; and reporting. Each production facility has a dedicated safety management representative. OHSE training is provided to workers including training to perform tasks such as handling chemicals, waste management, and safety operational controls. Additional job-specific training is conducted as appropriate for those activities that may

involve new OHS hazards. The Project has an internal audit system in addition to undergoing external audits to achieve and maintain certifications including ISO.

MA's OHSE system is commensurate with the risk and nature of the project.

MA's has a compliance system, its own central laboratory and the factories are all quality certified. The certifications relating to food safety and organic/Fairtrade include: FSSC 22000: version 5 (Food Safety System Certification); FLO certification (Fairtrade); JAS organic (organic certification for Japan); NOP organic (organic certification for USA); and EU organic (organic certification for Europe). While MA's has in place supplier management for its local growers, it does not address non-local suppliers. MA's will be required to update its supplier management to address the risks associated with its primary suppliers in alignment with IFC Performance Standard 1 and 2, as well as address due diligence and monitoring of specific child and/or forced labor risks. MA's will also be required to update its non-discrimination provisions in its human resources policies, code of ethics, and employee contract to be consistent and in alignment with IFC Performance Standard 2.

MA's has a quality assurance policy which commits to the highest level of food safety through continuous improvement of the Company's quality management system and evaluation procedure throughout the supply chain. MA's Food Safety Policy commits to implementing stringent hygienic controls and standards to assure a safe product is delivered to customers; complying with applicable statutory and regulatory requirements and requirements of FSSC 220000.

MA's plants have boilers, backup generators and small-scale incinerators for incineration of branded private label packing material. The sizes of the boilers do not meet the IFC definition of small combustion facility and therefore are not subject to IFC's emissions thresholds. Greenhouse gas emissions are estimated to be less than 1000 tons CO₂e per year at any one of the factories covered under the Project.

The facilities use deep well water, which is sent through a filtration system to remove chemical and microbial contaminants in order to meet WHO portable water guidelines. Wastes are recycled or disposed of in accordance with the Project's SOP on Waste Management. Hazardous materials are managed, stored, and disposed of in accordance with the company's Chemical Handling SOP.

All plants have an effluent treatment plant (ETP). The ETP is designed and maintained to treat factory wastewater to acceptable levels and meet

local effluent discharge thresholds set out by the Central Environmental Authority (CEA). Environmental licenses for factory operations are issued after the CEA has checked and verified the effectiveness of the ETP. Treated wastewater is used for irrigation on factory property.

One of MA's factories includes a farm and rearing of 219 pigs. Although small-in-number, DFC will require that the Project develop documented policies and procedures relating to animal rearing that is in line with good industry practice and commensurate with the scope and nature of the Palapathwella farm.