

ETG – ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM (ESMS)

The note is prepared as a summary of the ETG EHS & Sustainability Management System (ETGMS) to provide an overview for the AfDB investment process.

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1. Introduction

ETG has established a comprehensive Environmental and Social Management System (ESMS) called the ETG Management System (ETGMS) to meet its E&S objectives. Some of the key goals of ETGMS implementation are as below:

- Achieve the goals and objectives laid out in the Group Sustainability Policy,
- Legal compliance and meeting the expectations of regulatory agencies and partner DFI's
- Meeting the expectation of our customers
- Implement a systematic approach to understand and mitigate E&S risks
- Ensure none of its action causes adverse Environmental and Social impacts
- Ensure smooth operations of its multiple operating plants & warehouses

A company with a large footprint as ETG required a structured system to organize its daily activities so that they remain compliant and also work with the larger interest of the society and environment. The various procedures and processes developed as a part of the ETGMS help in achieving these objectives by streamlining operations and business practices.

The ETGMS is regularly updated to keep it relevant and meet the increasing expectations of regulatory agencies and the stakeholders.

The documentation structure of the ETGMS is a three-layered structure:

First layer ➤ Group Sustainability Policy which sets the broad direction for the Groups E&S activities and the ETGMS Manual outlining the broad framework of the E&S activities of the company.

Second layer ➤ Various Procedures, processes and guidelines to control and guide the operations in a manner that is in alliance with the objectives and goals set out in the Group Policy.

Third layer ➤ Document recording Formats and templates which operational teams use for maintaining records of the implementation of the procedures and practices.

While the first layer of documentation largely remains common for all the business operations, the second and third layer of documents (Procedures and document formats) are customized for the business type and requirements suited for the business. The documents are controlled through a document control procedure and the Group Sustainability team monitors the release of new documents and withdrawal of the expired ones. This ensures that the right version of documents are available with the site teams for their implementation. Periodic review of the procedures and practices is also carried out to keep them relevant.

2. Environmental and Social Policies and Management Commitment

Senior Management of the company is committed to the core principles of Environmental Protection, Personal safeguards, Equality, Human rights and the Principle of non-discrimination.

The commitments are explicitly mentioned in the Group Sustainability Policy which is signed by the Group Chairman. It is reviewed periodically to ensure that it remains relevant and updated to the changing world outside the organization.



GROUP SUSTAINABILITY POLICY

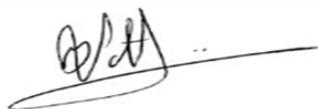
ETG is one of the largest Agricultural Conglomerates in the world. Our mission is to provide quality products in a sustainable manner, and, in so doing, uplift our surrounding communities.

We strive towards:

- Supplying farmers with suitable inputs and creating a market for their produce.
- Continual improvement of our performances in: Quality, Environment, Occupational Health & Safety, Food Safety, Energy and Security. We also aim to embed these principles as an integral part of management philosophy.
- A safe and healthy working environment for our employees across all jurisdictions in which we operate.

We are committed to:

- Complying with relevant legal requirements and meeting customer and stakeholders' expectations
- Assessing environmental and social risks in the agriculture supply chain, and adopting suitable mechanisms to mitigate such risks
- Adopt the principle of hazard identification and risk assessment in our activities, promoting healthy living conditions and sustainable environmental practices
- Efficient utilization of resources promoting reuse and recycle of available resources including the use of renewable energy
- Reducing wastewater generation, noise pollution, solid and hazardous waste generation and maintaining air emissions within limits
- Procurement of energy efficient / safe / environment friendly products & services
- Training and motivating permanent and contractual staff on system related matters and make them responsible for our system performance
- Reputable employment practices: we do not engage in child and forced / compulsory labor in any of our activities. Further, we create equal opportunities, without any discrimination, in turn allowing workers freedom of association and right to collective bargaining
- Engage with our stakeholders and monitor supplier's and contractor's sustainability performance
- Continually improve the Integrated Management System (ETGMS) by establishing measurable objectives and targets, conducting periodic internal audit and regularly reviewing the systems performance and initiating the appropriate corrective and preventive actions



Mahesh R. Patel, Chairman, ETG

Date: 1st June 2018

3. Nature of operations and scale

Scale of the organization:

ETG is a large multinational agribusiness conglomerate with footprint in over 50 countries and over 70 operating plants. The company has its headquarters in Dubai and has significant operations in African countries like Tanzania, Zambia, Malawi, Mozambique, Zimbabwe, Benin, Ethiopia, Ghana, Ivory Coast, Togo, Nigeria, South Africa, etc. Other countries where the group has operations include Australia, Canada, Bangladesh, China, India, Mauritius, Switzerland, Turkey, UAE and UK. The company has its other major office in South Africa and one in India

The organization has a total strength of around 7000 employees with a significant part of it being women. It has a significant reach in the remotest corners of the African region from where it procures its grains and sells it across the world. The overall business structure can be divided into 5 verticals.

Exchange traded vertical:

The exchange traded vertical deals with the trading of Grains like Maize, Wheat, Oilseeds, Sugar and Coffee over the various commodity exchanges of the world.

Cash Traded Vertical

The cash traded vertical trades in commodities like Pulses, Sesame, Cashew and Rice.

Agri Inputs Vertical (EIHL)

The vertical is engaged in manufacture of Fertilizer blends and sale of Agrochemicals across the African region related to crop nutrition and crop protection.

FMCG Vertical (The Vamara Group)

The Vamara Group is the FMCG arm of the company which produces several consumer branded products across a number of key East, Central and Southern African countries and select international markets.

Logistics and Warehouse vertical

The vertical is engaged in providing end to end transport & logistics services to businesses across Africa.

4. Potential environment and social risk associated with operations

ETG has defined an EHS risk assessment process for its operations in accordance with the established ETGMS. EHS Standard Operating Procedures (SOPs), Working Instructions, instructions on use of Personal Protective Equipment (PPE), training curriculum and monitoring/reporting key performance indicators (KPIs) have been established for all operations.

Because of the diverse nature of ETG operations, the company has Identified the potential E&S risks at three different levels:

1. Broad business E&S risks are identified and mentioned in our ETGMS Manual, also outlining the control measures implemented by ETG for the identified risks.
2. E&S risks related to manufacturing/warehousing operations are identified/evaluated and mitigated by each operating unit by implementing the ETG procedure (ETG/EAEUR&HIRAC/P-01).

3. E&S risks related to Agro-commodity procurement, handling and sale is identified in the ETG document - ETG/ESRA/P32.

The first level of risks is the broad E&S risks to the business which finds mention in the ETGMS Manual and are presented below:

- Price volatility or Availability constraints of key agricultural commodities
- Lack of long-term investments in farming
- Water availability risks
- Climate change risks

To mitigate the above identified risks, ETG has made substantial investments in creating and maintaining the supply chain for Agri-inputs. Presently ETGs supply chain reaches the remotest corners of the African region to facilitate the agriculture process by providing the right fertilisers and crop protection chemicals.

Risks related to climate change and water availability, is being managed by implementing the Farm extension services. ETG has a team of agronomists in several of the African countries who work with the farmers on advising them on the right agricultural practices, right irrigation practices (saving on water), and adaptation towards the climate change impact on agriculture.

ETG is also currently working with Wageningen University (Netherlands), the World's top ranked Agricultural University on developing a deeper understanding on Climate risks on various commodities and geographies. This collaboration will further strengthen the understanding of the team on the various local impacts of the changing climate on crop production and will also develop a mitigation strategy.

The mitigation strategy developed in the collaboration shall be planned to be implemented through the team of Agronomists who work with the farmers on a regular basis.

Plant level risks are identified in a structured manner using the template provided by the Group Sustainability team. Risks are categorized under the broad categories of 1) Risks during construction phase and 2) Risks during the operational phase. Since most of the plants are now under the operating phase, it is the operating risks which dominate the list. The identified risks are controlled through various control measures – Engineering controls, Operational controls and the Administrative controls. The implementation of the control measures brings down the risk level to an acceptable limit. These controls are then monitored for their health check on a periodic basis to ensure that they remain effective in reducing the risks. Regular plant inspections and plant audit by the Group Sustainability team helps the sites in identifying any gaps and bridging them.

E&S Risks related to new projects –

Risks related to establishment of new projects are identified and mitigated by the respective project team. The Sustainability team has developed a procedure to guide the site teams on understanding and managing the peculiar risks arising due to the construction activity. These risks could be related to the project site activities or risks to the neighboring communities. All such risks are identified and relevant mitigation steps taken during the project construction phase.

Since most of the ETG activities occur on designated industrial plots identified and demarcated by the local governing bodies, AFDB operational standard (OS2) related to Involuntary resettlement and land acquisition does not become applicable. However, even for such scenarios the new projects risk assessment procedure provides for the necessary action to be taken.

Pls refer the procedure – ETG/RANP/P32.

Risks related to Agro-commodity procurements are identified and managed in coordination with the relevant business teams who have a connect with the farmers on the ground. Risks related to labor issues, deforestation, child labor, etc. associated with commodity procurement are identified and suitable mitigation strategies have been implemented. Please refer the ETG document (ETG/ESRA/P32) which provides the relevant details.

5. Environment and social risk management process

- **Screening**

The projects being set up (or already in existence) by the company are screened as per the categorization criteria provided by AfDB (and also IFC).

All the ETG operations fall in the category 2 (medium risk category). The identification is based considering the relatively temporary and localized nature of E&S risks posed by these operations. A big majority of the ETG operations are warehousing and storage facilities for the Agri-commodities. The food processing operations also do not have any hazardous chemical or operation in their processes (except for the oil extraction units). Oil extraction units maintain a small storage of chemicals required for processes and they are also controlled through a systematic process of risk identification and mitigation. Fertiliser blending operations (different NPK blends) deal mostly with stable and non-toxic chemicals. Where the chemicals are hazardous, necessary control measures are in place to prevent any incident.

- **Environment and social assessment**

Environment and Social Policies

Pro-active management of sustainability issues is at the core of ETG's governance framework, business strategy and decision-making processes. In 2018, ETG revised its Group Sustainability Policy to refine its commitment towards Sustainability, Environment, Occupational Health and Safety & Society. While the policy does not commit to value based targets, it sets up the broad commitments of the company which are practiced across the businesses and locations of operations.

A formal Environment and Social assessment study of projects is carried out wherever it is required by the local country regulations. However, Internal project/operation risk assessments are always carried out and appropriate control measures put in place as required by the ETGMS. All plants also implement an Environment & Social Management Plan for the sites to mitigate the identified risks. The Group Sustainability team provides all the necessary support to the sites in conducting the internal risk assessment exercise and developing the site ESMPs.

- **Implementation**

One of the commitments of the Group Sustainability policy is legal compliance. All operations remain compliant to all regulatory requirements as applicable in the country of operations. The compliances are also monitored during plant inspections by the internal teams and also by the Central team.

Identification of gaps in E&S practices:

Site conducts regular EHS inspections and identifies the gaps in the implementation of E&S practices as outlined in the ETGMS manual.

Based on the inspections, each site team develops an action plan with clearly identified responsibility and closure dates. These action plans are overseen by the Group Sustainability team to ensure that there are no constraints on availability of resources (financial or otherwise) for completing the action plans.

The sites also prepare a structured ESMP based on the identified environmental and social risks of the operation. The ESMP is implemented and verified regularly by the site teams to ensure compliance.

- **Monitoring and supervision**

The company keeps a close track of the various E&S activities of the sites as well as the group level activities. It has established a 3-tier monitoring and supervision structure.

- The first level of inspection is carried out by the plants themselves by using a structured EHS inspection checklist to monitor EHS compliance of the site. These inspections are carried out by the Site EHS coordinator periodically (minimum once in six months) and forms the basis of a site EHS action plan. The action plan is discussed by the site management and approved for implementation. The responsibility for each activity is defined depending on the nature of the task and necessary resources are allocated for completing the task in time.
- The second tier of monitoring is carried out by the Group Sustainability team either by a site visit/inspection or remotely through discussion with the site team and verifying the site EHS inspection reports. Status of action plan implementation is reviewed and if required necessary suggestions are made.
- The third tier of monitoring is carried out by the Group Sustainability Committee which is a senior level committee reporting to the board. The committee oversees the E&S performance of the Group and takes feedback from the Group Sustainability team on the site and vertical performances.

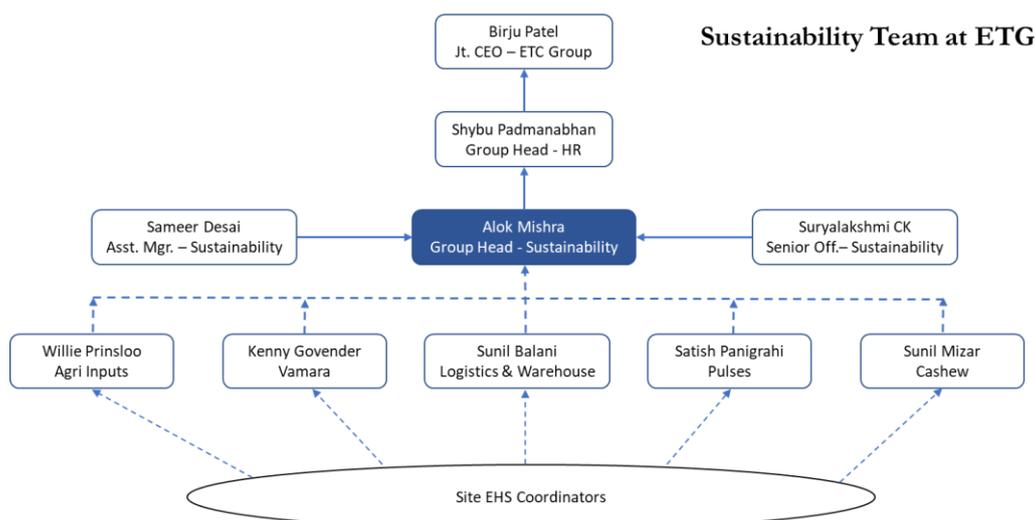
Site E&S performance is also captured on an annual basis for presentation in the Annual Sustainability report. It's a group wide report which summarizes the company performance and compares it with the broad commitments laid out in the Group Policy.

6. ESMS Implementation Capacity

Sustainability organization structure:

The E&S responsibility of the organization is managed by the Group Sustainability Team. The company has adopted a decentralized model for setting up the Sustainability function. The Group Sustainability team sets up the policies and practices for the company and helps and supports the business verticals in setting up and achieving EHS objectives and targets. Each business vertical has an identified EHS coordinator who is responsible for the implementation of the ETGMS practices in that vertical. He is supported by the plant level EHS champions who are responsible for the implementation of Group policies and procedures.

An overview of the Group structure is as below:



The detailed roles and responsibilities of different function heads are described in the ETGMS manual. While all the departments work in complete coordination to achieve the common objectives of the Group, the specific requirements are outlined in the document.

Key responsibilities of the Management representative (Head of Sustainability department) are:

- Accountable for implementation of all elements of ETGMS.
- Ensure control of all documents under ETGMS.
- Plan & conduct for Internal ETGMS Audit and ensure adherence by the sites.
- Initiate modifications on the ETGMS based on audit findings or otherwise.
- Acts as Secretary for Management Review Meetings and maintains records thereof.
- Initiate and monitor corrective and preventive action arising out of Management Review Meetings.
- Ensure implementation of right Health & Safety practices for benefit of all personnel.
- Liaison with external agencies for all external audit activities.
- Act as single point of contact for all EHS activities of the Group.
- Develop EHS action plans for each year and monitor its implementation.
- Coordinate with external stakeholders on E&S practices of the Group.

Apart from the above Central Sustainability team, there is also a team focused on Cocoa business. The activities of the Cocoa team are completely aligned to the Group practices, they are however focused on implementing Sustainability programs in the Cocoa sourcing regions of IVC and Ghana.

Resources:

The organization allocates sufficient resources for the implementation of the Site and Group level E&S activities. The site level resource requirements are raised in the site EHS

action plans and are approved by the plant manager/business head (depending on the requirement). The group level requirements are discussed in the Group Sustainability committee and then presented to the budget committees & the Exco. The company is committed to meet its obligations on the improvement of E&S governance and practices and adequate resources have always been provided. For the F.Y 2019-20, the company spent close to USD 4 million on E&S implementation. These expenses included Manpower costs, PPE cost, development of necessary infrastructure for employees and transporters, reporting costs, etc.

The sustainability team focused on cocoa business is about 40 member strong and helps and aids the business towards sustainable cocoa procurement and sale in the world markets. The team has implements and oversees E&S programs related to avoidance of child labor, deforestation and farmer wages.

Expertise

The Group Sustainability team has enough expertise in implementing the ETGMS system which is the base of all E&S activities of the company. Sustainability team members are qualified E&S professionals and the site teams are being upskilled through the capacity building programs.

EHS training:

The company has adopted a structured E&S Capacity Building strategy in 2019 for improving the EHS skill sets of its employees. Three different categories of trainings have been devised and implemented in a progressive manner for the EHS champions.

Level 1	General awareness level program delivered mostly by internal resources
Level 2	Subject specific training which could be delivered by internal resources or external experts
Level 3	An external training for higher and comprehensive understanding on relevant topics.

7. References:

The following ETGMS documents have been referred to in the above description which are shared separately.

1. ETGMS Manual
2. Group Sustainability Policy (available in this document, pg 3)
3. ETG Site Risk Assessment Procedure - ETG/EAEUR&HIRAC/P-01
4. E&S Risks in the commodity business - ETG/ESRA/P32
5. ESMP Guidance document for Sites - ETG/ESMP/P30
6. Risk Assessment of New Projects – ETG/RANP/P26
7. Site EHS inspection template
8. E&S Capacity building strategy
9. Sustainability Expenses breakup for 2019
