

International Finance Corporation
2121 Pennsylvania Avenue NW
Washington, D. C. 20433
Attention: IFC CES Department Director

Star Garments Group (Pvt) Limited
P.O. Box 1
Ring Road 2, Phase 1
Investment Promotion Zone
Katunayake, Sri Lanka
T + 94 11 483 7000
F + 94 11 225 2937

Komar
90 Hudson Street
Jersey City, NJ 07302, USA
T + 1 212 725 1500

Komar Sourcing Limited
38-39/F
King Palace Plaza
52A Sha Tsui Road
Tsuen Wan, Hong Kong
T +852 2413 3191

www.star.lk
www.komarbrands.com

Environmental and Social Review Summary (ESRS) [and Environmental and Social Action Plan (ESAP)] for the SGG Togo CMT (SGG Togo CMT) (“the Project”) of SGG Togo

We hereby confirm that we have reviewed the Environmental and Social Review Summary [and the Environmental and Social Action Plan] document(s) delivered to us on **10/27/2023** in relation to the Project. Please take this letter to confirm that:

- ◆ We approve the text of the ESRS and ESAP;
- ◆ We have no objection to the release of the ESRS and ESAP to IFC’s Board of Directors;
- ◆ We have no objection to the ESRS and ESAP being made available to interested parties (including the general public) through its placement in IFC’s Disclosure Portal, and appropriate World Bank Group country offices;
- ◆ We understand that if the ESRS or ESAP needs to be updated to reflect the final understanding of environmental and social issues and mitigation measures with IFC, the revised text will be issued to us for prior approval;
- ◆ We have no objection to the Environmental and Social Impact Assessment (ESIA) being made available to interested parties (including the general public) through its placement in IFC’s Disclosure Portal, and appropriate World Bank Group country offices; and
- ◆ We also confirm that we have no objection to the public disclosure of the following plans and documents listed at the end of this letter

Performance Standards on Environmental and Social Sustainability and World Bank Group EHS Guidelines


We confirm that we have received copies of the IFC Performance Standards on Environmental and Social Sustainability dated January 1, 2012 (the Performance Standards), the World Bank Group Environmental Health and Safety General Guidelines [and the supplemental Environmental, Health & Safety Guidelines listed below:

- World Bank Group (WBG) Environmental, Health, and Safety (EHS) Guidelines for Textile Manufacturing.

We understand that all the Performance Standards are applicable or may become applicable to the Project, and that we will be required to demonstrate adherence to them in due course. We also understand that IFC require compliance with local regulatory requirements and that we will be asked to demonstrate that compliance.



Signed on behalf of: **SGG Togo**

By  **Jeevith Senaratne** Director of Operations
Please print name next to signature Title

Star Garments Group (Pvt) Limited
P.O. Box 1
Ring Road 2, Phase 1
Investment Promotion Zone
Katunayake, Sri Lanka
T + 94 11 483 7000
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cc: IFC Corporate Relations Unit (CRU); CESI Lead Environmental & Social Specialist (LESS); and IFCDocs Disclosure Folder

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cc: IFC Corporate Relations Unit (CRU); CESI Lead Environmental & Social Specialist (LESS); and IFCDocs Disclosure Folder

Note – Please print this template on the document displaying the letterhead of Sponsor or Project Company name

Project Basic Information

Country Togo	Region West Africa
Project Number 48019	Project Legal Name Star Garments Group Togo CMT Expansion
Client Legal Name Star Garments Togo	Project Business Sector K-CA - Garment and Apparel (Without Fabric , Excluding Footwear)
Owning Department/Division CM3MF - Regional Industry - MAS Africa/MAS Africa New Bus Manufacturing	Environment Category B - Limited

Project Description

IFC is considering a US\$15 million financing package for Star Garments Group (“SGG” or the “Company”), to support building its greenfield Cut-Make and Trim (CMT) operations in Togo, West Africa through a newly formed subsidiary (“the Project”). The financing package is to be made up of an IFC A-loan of US\$7.5m and an IDAPSW subordinated loan of US\$7.5m. Star Garments is situated within the Plateforme Industrielle d'Adétikopé (PIA) which is 22km from national capital Lomé city center in Togo.

Star Garments Group (“SGG”) is a Sri Lanka-based major apparel manufacturer and subsidiary of the US based parent company Charles Komar & Sons (“Komar”). Komar sources garments from global suppliers, including SGG, and sells them under own brands, licensed brands as well as clients' brands to leading retailers and brands in the US, Canada, UK and other markets. The Project is a construction of a greenfield SGG's manufacturing facility in Togo. It will allow it to increase its production of apparel (i.e., dresses, blouses, kids' wear, etc.) exported to international retailers, while diversifying its manufacturing locations out of Sri Lanka, into Togo. SGG currently operates 10 factories and one innovation center in Sri Lanka. Total employment in SGG is about 8600 workers of which approximately 70% being females. The Project will create 2,000 new jobs.

The Togo factory will be constructed within a Plateform Industrial Adétikopé (PIA) Special Economic Zone (SEZ) constructed and operated by ARISE PII. The construction of the Togo factory will start

during Q4, 2023 and is planned to be completed in 18 months. The project will lease 3.7 ha out of existing 328 ha of the industrial park.

Overview of IFC's Scope of Review

IFC's environmental and social (E&S) review included (i) site visits to two Star Garments in Sri Lanka (Kutanayake and Kaduwela) on 19-20 September 2023 (ii) virtual and in person meetings with Director of operations, VP Product Development, VP Manufacturing, Head of design, Senior Manager, Manager Group Sustainability & Compliance, Group Human Resource (HR) Manager and General Manager, Group Supply Chain Manager and staff at the factory levels, (iii) meetings with worker union representatives, employee council members and individual interviews with workers at the two of the factories, (iv) Review of available E&S documentation, in response to the IFC's E&S appraisal questionnaire including E&S policies and procedures, risk assessment tools, buyers' audit reports, emergency preparedness and response procedures, internal HR management policies and procedures, grievance handling procedure; and (v) Reprisk screening for main 10 suppliers of fabrics and trims. (vi) Conversations with ARISE PII industrial park (#44846) E&S team.

Identified Applicable Performance Standards

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labor and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS7: Indigenous Peoples
- PS8: Cultural Heritage

Environmental Social Categorization and Rationale

This is a Category B project according to IFC's Policy on Environment and Social Sustainability (2012). Based on information reviewed by IFC, the proposed Project will have limited adverse E&S impacts that are few, site specific, largely reversible, and readily addressed through existing mitigation measures and good international industry practices (GIIP).

Key E&S risks and issues include: (i) the company's monitoring and management systems to assess and manage E&S risks and impacts from its operations, as well as those related to the construction of

new facility covered under the project; (iii) assurance of fair, safe and healthy working conditions in line with PS2 and legal requirements especially on gender-based violence, freedom of association and workers accommodation; (iii) monitoring and management of air emissions, wastewater, waste and hazardous materials management; (iv) assessment and management of fire safety systems and emergency response for production facilities; (v) supply chain assessment and management of the fabric suppliers (vi) transport and security related community health and safety impacts; and (vii) the company's stakeholder engagement activities related to E&S aspects.

Environmental and Social Mitigation Measures

(Observations that are not to be disclosed must be recorded in SRT)

PS 1: Assessment and Management of Environmental and Social Risks and Impacts

Environmental and Social Assessment and Management System (ESMS).

SGG has established a corporate E&S management system (ESMS) certified as per (i) Higg FEM 3.0, an apparel and footwear industry standard for assessing environmental and social sustainability throughout the supply chain; (ii) ISO45001: 2018 and ISO 14064-1:2018 for quantification and reporting of greenhouse gas (GHG) emissions and removals, (iii) SMETA (Sedex Members Ethical Trade Audits), (iv) Worldwide Responsible Accredited Production (WRAP) certification, the world's largest factory-based certification program for manufacturers of clothing, footwear, and other sewn products. Most of these certifications are renewed annually.

The EHS compliance team conducts regular internal audits to review effectiveness of the ESMS management programs and procedures and adapt them based on monitoring. Apart from the internal major customers carry out regular factory audits using third party auditors. These audits focus on environmental, social compliance, health and safety, supplier code, business ethics such as the HIGG Index (environment module), Worldwide Responsible Accredited Production (WRAP) and SMETA (Sedex Members Ethical Trade Audit). For the new project in Togo, SGG will cascade down a corporate ESMS and procedures and augment among others internal procedure for identification of E&S risks and impacts in line with IFC PS1 (ESAP #3).

Identification of Risks and Impacts. The company identifies and manages E&S risks and impacts associated with its operations through compliance with applicable national standards and E&S regulatory permits and requirements. Identification of the E&S risks and impact for the new facility in Togo is in the process. Hence as part of the ESAP #1, SGG will perform E&S impact assessment (ESIA) in line with the requirements of IFC PSs. Based on the ESIA the SGG will develop a site-specific construction and operational E&S management plans for waste management and hazardous waste management in line with the IFC PSs and national legislation. (ESAP #2)

As part of the corporate ESMS, the company monitors key performance indicators (KPIs) on quarterly basis for every factory and are the responsibility of the Group Sustainability Manager and a supporting team. The risk assessment tools comprise KPIs related to Environment, Health and Safety.

Monitoring reports are submitted on quarterly basis while accreditation and compliance are done on annual basis by third parties. SGG also has a HSE Committee, meeting on monthly basis, including representatives from each department and third-party services where hazards and risks identified, corrective actions and training needs are discussed and planned. For the new facility in Togo, SGG will cascade down corporate level ESMS monitoring and reporting requirements (ESAP #4)

Organizational Capacity and Competency.

SGG has a corporate EHS team headed by the operations director and including a group sustainability and compliance manager covering environmental, health and safety issues and collaborates with Group HR and Admin Manager to manage social compliance. Each factory in Sri Lanka has an HR and Compliance Executive who reports to corporate management through the Factory General Manger. Similarly, the Togo factory EHS will be led by the Group Sustainability and Compliance Manager and Group HR and Admin Manager at the central level and will have a qualified HR executive and Compliance executive at the factory level reporting to the central functions. (ESAP #5)

Emergency Preparedness and Response Plan (EPRP).SGG production facilities have a documented emergency preparedness and repose plans for responding to natural disasters, fire safety, emergencies and industrial accidents. SGG emergency management plan covers the precautions and measures to be undertaken in the event of fire in its existing factories, including regular fire drills, internal audits, regular training. SGG Sri Lanka factories' fire safety training records were reviewed on the site visit and found to be in line with the national fire safety codes and standards. SGG will cascade down EPRP related established corporate practices to Togo new facility in line with IFC PS1 and national legislation. (ESAP#6a)

As part of the planning of construction of new facility in Togo, SGG will commission a suitably qualified professional acceptable to IFC to prepare a Life and Fire Safety Master Plan and provide a professional certification as part of the facility completion tests that the design of L&FS passive and active systems comply with the requirements of the L&FS section on the WBG General EHS Guidelines and Togo's local building and fire department codes and standards. (ESAP #6b)

As needed, a corrective Action plan with a time frame for implementation will be submitted after the professional's first review. Completion will not be certified until the professional has received confirmation of satisfactory completion of the action plan (ESAP#6c)

PS 2: Labor and Working Conditions

SGG has a Corporate HR and Administration Manager who reports directly to the Operations Manager at the central level. At factory level, there is an HR Manager reporting to the Factory General Manager. For Togo, Compliance and HR functions will be centralized. SGG will appoint an

experienced HR Manager at the factory level with an adequate understanding of the new operating context in Togo (ESAP #5)

The existing workforce in SGG's 10 factories and innovations center in Sri Lanka as of September 2023, was 8600 workers out of which 70-80% are females. In the new project, SGG will start with a 36 direct works managing different executive functions. Direct worker count will start with 115 workers with the installation of the first production line and will be up to 2000 workers with the installation of its 28th production line within 28 months of operation. No specific target was presented for gender breakdown since hiring at the start of operation will focus on the available skills. SGG will commission a third-party labor assessment within 6 months of start of operation in Togo to ensure alignment of labor and working conditions with IFC PS2. (ESAP#7)

Human Resources (HR) Policies and Procedures.

At group level, SGG has HR policies and procedures including prohibition of discrimination, prevention of child labor and forced labor, prevention of harassment and abuse, worker grievance mechanisms and retrenchment which are largely in line with the requirements of IFC PS2 and workers receive a booklet with worker code of conduct upon their hiring with their own language.

As part of the Togo project, SGG will develop project specific HR policies and procedures in line with IFC PS2 and national law. SGG will further align its HR policies and procedures to IFC PS2 by extending the scope to include third party and indirect workers, adding a formal freedom of association policy, updating its worker grievance procedures and retrenchment policy (ESAP#8). These policies will be communicated to the Togo workers in a language they understand through bulletin boards and regular sensitization activities such as toolbox talks and classroom training. (ESAP 9#)

Working Conditions and Terms of Employment.

SGG existing workers are all hired through direct contracts with a 6 months' probation after which the contracts become open term. Going forward for Togo, every worker, direct and indirect, will be hired through a formal contract in line with IFC PS2 and National Legislation of Togo. The worker contracts will state the nature and category of employment, place of employment, start date and duration of employment, working hours, remuneration, leave, benefits and employees' rights and obligations as applicable (ESAP #10a).

All workers will receive pay slips showing their number of hours worked, wages (including overtime wage) and statutory social security deductions and will have the minimum wages in alignment with Togo Legislation (ESAP#10b).

SGG factories operate on a one shift basis starting from 7am till 3.30pm Monday to Friday. Workers are paid overtime, in line with National Legislation, if they work from 3.30 till 6.30pm. Worker

benefits include bus transportation, 2 free meals a day and a 10% attendance bonus. Every factory includes a medical clinic with 1-2 qualified nurses and doctors' visits twice a week, where workers can visit and receive simple medications or ask for referrals to the nearest hospital where they are treated for free.

SGG will ensure the provision of a safe, gender friendly means of transport to its workers. As per ESAP #16 below, bus transport will be provided based on Traffic management plan where risks will be assessed, drivers will be trained and KPIs will be monitored to align with WBG guidelines for health and safety with regards to transport.

Non-discrimination and Equal Opportunity

SGG non-discrimination policy is in line with IFC PS2 and national requirements. An average of 70% of workers are females. As per ESAPs #8 and #9, SGG will develop a project specific non-discrimination and equal opportunity policy and procedure and communicate it to workers in a language they understand.

Worker Organization

At the factory level, 2 of SGG's factories' workers are enrolled in trade unions and 8 factories have employees council as required by the industrial zones where they are located. These are governed by memoranda of understanding (MoUs) and members/ worker representatives are elected periodically. Employee councils look after worker affairs and welfare and have a role in the grievance procedures. Meetings take place on monthly basis and are recorded. As per ESAP # 8 and # 9, SGG will develop and communicate a formal worker organization policy and procedure for Togo in line with IFC PS2 and national law.

Workers Grievance Mechanism.

SGG has a formal worker grievance procedure allowing various channels for submitting grievances, such as grievance boxes, worker counselor and HR Management. Worker counselors maintain a grievance log, maintain anonymity of the complainant if required, and depending on the gravity of the complaint work to resolve the grievance or escalate it to the factory HR Manager or beyond. To fully align the grievance procedure to IFC PS2 as per ESAP #8 and #9, SGG will update the grievances mechanism to apply to Togo and will include a specific timeline for resolving grievances, clear roles and responsibilities and provide access to the third-party workers and service providers to the grievance procedure. A clear statement that the grievance procedure does not impede the legal course will also be added.

Retrenchment.

The client has an existing retrenchment policy but has reported no retrenchment incidents in the last two years. Going forward, the SGG will augment retrenchment policy in line with the requirements of IFC PS2 (ESAP #8 and 9).

Workers Engaged by Third Parties.

For the construction of the new factory in Togo, SGG will use an EPC Contractor (ARISE IIP) to construct the factory using prefabricated walls. As part of the ESMS, SGG has an existing Contractor manual requiring its contractors to adhere to SGG's health and safety standards, conduct risk assessments, chemical safety assessment and have a liability insurance cover. Contractors are required to present work permits, permits to bring tools and equipment to the premises. SGG will develop a contractor management plan defining its approach to managing EHS performance of its contractors, subcontractors and other third parties during the construction and operations phase of the new project. The contractor management plan will be consistent with IFC Good Practice Note: Managing Contractor's Environmental and Social Performance (ESAP #11)

Child Labor and Forced Labor

SGG has a corporate policy prohibiting child and forced labor in line with IFC PS2 and Sri Lanka national legislation. The policy is built around requesting multiple age identification documents and convening a panel to assess the applicant age if no documents exist. The child and forced labor policy is applied to third party workers.

Supply Chain

The main raw materials used by the SGG are fabrics, trims and packing, provided by a large list of suppliers with a majority based in China (47%). SGG has a supplier code of conduct that applies to all its suppliers and third-party workers. Going forward, SGG will augment its supplier code of conduct with IFC PS2 and will update its supply chain management system with a) the inclusion of contractual clauses for prohibition of forced and child labor, and requiring compliance with the supplier code of conduct in agreements with suppliers; b) A verification process to ensure new suppliers have the policies and procedures in place to meet requirements of the code of conduct, c) A formal process for supplier engagement, remedy or disengagement in case non-compliances with the code of conduct are found. (ESAP #12).

Occupational Health and Safety (OHS).

The overall responsibility for applying SGG Health and Safety policy falls under the factory HR Manager, while the training and monitoring is the responsibility of the Corporate Compliance manager who regularly audits the factories personally and through third parties through the HIRA system and other certifications. SGG has a non-conformity and corrective action plan (NCR) procedure identifying non-conformities through daily business operations meetings, external and internal audits,

service reports, customer and supplier audits routine visits and are discussed in management review meetings which cover monitoring of health and safety of the workers. As per national legislation, SGG Group has an HSE committee and an onsite clinic with a certified nurse manually keeping a register of all occupational injuries through an incidents and accidents register. The HSE committee meets on monthly basis or more frequently as needed at the factory level. SGG will align OHS risk management for the operations in Togo with IFC PS2 and WBG General EHS Guidelines by developing an OHS management plan including leading and lagging key performance indicators (KPIs) based on an OHS risk assessment and including gender considerations. (ESAP #13)

PS 3: Resources Efficiency and Pollution Prevention

Energy Use and Greenhouse Gas Emissions (GHG). The energy requirements for the company's operations in Sri Lanka is derived from the national power grid. Current LPG consumption is 17,505 kg per year. For the project, electricity will be provided by the special economic zone which is sourced through national grid.

In line with the Company's 5-year Sustainability Strategy, the unit in Togo will target to be carbon neutral and have LEED Platinum certified production facilities. The target is to have all Star Garments Owned factories LEED certified by 2024.

Climate Change

Star Garments has carried out an internal climate risk assessment and a mitigation plan has been developed for the short and long term effects on health and safety of workers including providing proper ventilation through air conditioning systems and reducing heat stress and humidity, ensuring appropriate working conditions including light, temperature, noise, dust as well as monitoring in alignment with IOSHA standard. The existing emergency response plan will include applicable natural disasters and their risk levels. The client also conducts regular environmental, health and safety audits through its WRAP, SEDEX, ISO45001: 2018 certifications.

Other measures to manage short and long term effects on energy and resource efficiency include efficient air conditioning, efficient LED lighting, efficient compressors and machines, water efficiency and material efficiency improvements

Water Use and Efficiency. Togo facility water consumption is estimated to be to be approximately 45,000 m³/year and will be supplied by the SEZ from municipal water system.

Solid Waste Management. SGG has a zero-landfill policy and currently 99% of production related waste is being diverted to value-adding and recycling. The main solid waste streams from the project operations will include fabric offcuts, paper, plastics, cartons, and absolute machines and/or machine parts no longer in use. Under ESAP (#2), SGG will prepare a specific solid waste management plan addressing non and hazardous waste management measures for its Togo facility, which will include collection, sorting, storage and disposal guidelines for each waste stream including identification of a

suitable specialised and licensed agencies for disposal of expected waste streams, roles and responsibilities and KPIs.

Hazardous Materials. Limited quantities of diesel are stored at SGG's facilities for the operation of the backup generators, and this similarly applies to other hazardous materials (e.g. oil and paints), which are stored in designated areas. Biohazardous waste (from the on-site medical facilities), waste oil, electrical waste and chemical wastes are stored in locked premises, recorded in the inventory for each facility, and collected by authorized companies for disposal in and/or incineration. As per ESAP #2, SGG will develop and implement a hazardous waste management plan for Togo covering hazardous material like oil and paints for the construction and operations phases will ensure they are stored with adequate spill containment measures as per General WBG EHS guidelines and national law.

Wastewater Management: The new Togo facility will generate mainly domestic wastewater, which will be collected and managed by the special economic zone operator managing the industrial park. Togo facility. As part of its ESMS will develop a wastewater management plan and will contractually ensure that the special economic zone operator will manage wastewater in accordance with national requirements and WBG EHS Guidelines. (ESAP #14).

PS 4: Community Health, Safety and Security

Fleet Management:

SGG provides free transport to its workers through rented buses from specific pick-up points. SGG does not have a Traffic and Vehicle Management Safety Procedure or a fleet management system. For the new project, SGG will develop a Traffic and Vehicle Management Procedure and plan to avoid and manage worker safety risks outlining roles and responsibilities, monitoring and audit requirements for the contractors. The plan will include GBV provisions, driver training and worker safety measures for different modes of transport used (ESAP #15).

For the Togo project, SGG will develop contracts with transport service providers including commitment to align with its Traffic and Vehicle Management Procedure including its anti-sexual harassment policy and code of conduct. As part of ESAP #15, formal contracts will be signed with the service provider to ensure commitment to the IFC requirements.

Security Personnel:

SGG has a security policy applying to its employees, properties, custom assets and potential threats to the supply chain. Factories are equipped with CCTV cameras and a security provider is hired for each of its factories. Security risk assessments are conducted once a year covering SGG supply chain in alignment with the requirements of Customs Trade Partnership against Terrorism (CTPAT) manual.

For the new project in Togo, SGG will develop a security management procedure and plan considering the operations context in Togo. The plan will be based on a security risk assessment and will ensure screening private security providers based on a valid business license, corporate history as well as company and employee background checks. SGG will include commitment of service providers to SGG code of conduct, environment and social requirements, including prevention of sexual harassment, in the contracts as well as adhering to regular training and audits. (ESAP #16)

Stakeholder Engagement:

All SGG factories, including Togo factory, are located within industrial zones. Engagement with the surrounding community is the responsibility of the SEZ authority and SGG has no access to community grievance registers unless approached by SEZ authority. For its project in Togo, SEZ has had engagements with ministers of Power and Energy, Trade and Foreign Affairs. SGG also engaged with the SEZ operator and customers. Going forward, SGG will develop a project specific stakeholder engagement plan and community grievance procedure in line with IFC PS1 (ESAP#17).

SGG has a CSR program focusing on education and capacity building including leadership and personality development, career guidance for vocational training institutes and teaching competency within its surrounding communities.

Broad Community Support:

Broad Community Support: Not Applicable

Local Access of Project Documentation:

Contact Person: Jeevith Seraratne, Operations Director

Company Name: Star Garments (Pvt.) Ltd

Address: PO Box 1, Ring Road 2, IPZ, Katunayake, Sri Lanka

Email: jeeviths@star.lk