



26th October 2023

International Finance Corporation
2121 Pennsylvania Avenue NW
Washington, D.C. 20433

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

Attention: Henrik E. Pedersen, Regional Industry Director, MAS Africa

Summary of Investment Information (SII) for Star Garments Togo
Project ID 48019

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


We hereby confirm that we reviewed the SII document, dated on October 26, 2023 in relation to the above project. Please take this letter to confirm that:

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

- We approve the text of the SII and confirm that the text is consistent with our project plans;
- We have no objection to the release of the SII to IFC's Board of Directors;
- We have no objection to the SII being made available to interested parties (including the general public) through appropriate World Bank Group country offices and via the IFC website. We understand that if the SII needs to be updated, the revised text will be issued to us for prior approval

www.star.lk
www.komarbrands.com

Signed on behalf of: Star Garments Togo

By:  Jeevith Senaratne Director of Operations

Description of the Project (Summary Of Investments)

The proposed IFC investment seeks to support Star Garments Group (Private) Limited (“Star Garments” or the “Company”), a Sri Lankan garments manufacturing company to build a greenfield Cut-Make-Trim (CMT) operation in Togo through a newly formed subsidiary (the Project).

Associated Advisory Services Engagement

n.a.

Project Sponsor and Shareholders of Project Company

Star Garments Group is 100% owned by Charles Komar & Sons, a US-based family-owned group. The main shareholders of Charles Komar & Sons are:

- Charles E Komar
- David L Komar
- Leah Harris
- Amy Feldman

Total Project Cost and Amount and Nature of IFC’s Investment

The project cost is estimated at US\$25 million. IFC’s proposed investment in Star Garments is a US\$7.5 million corporate A-loan and a US\$7.5m subordinated loan provided by International Development Private Sector Window (“IDA PSW”) to support the Company in implementing the Project.

Project Location

The funds will be used in the Star Garments factory located in the Arise Industrial Zone, Plateforme Industrielle d’Adetikope (PIA) in Lome, in the Republic of Togo.

Expected Development Impact of the Project

The project helps finance a Sri-Lanka garments manufacturer to expand its operations in Togo. Economy-wide effects: The Ready-Made Garments (“RMG”) sector in West Africa was badly hit during the onset of the pandemic and it is gradually recovering. Against this backdrop, the Project is expected to have various positive economy-wide effects, including i) domestic and regional value addition, from increased exports through the expansion of the CMT operations; ii) the direct creation of 2,000 formal manufacturing jobs, mostly for women, and a larger number of indirect jobs. These effects will be assessed in detail during the appraisal. Employee effects resulting from training and coaching will also be assessed for their materiality. Contribution to market creation and market competitiveness: The Project is expected to improve the sector competitiveness through the expansion of the CMT operations to achieve scale, and therefore improve the efficiency of apparel production in the West Africa region, including through backward integration (the 2nd phase of the Project). As the first mover in the Togolese market with operations at scale, Star Garments can serve a significant demonstration effect, and support the case for developing the textiles sector in West Africa. This could have significant ripple effects, attracting other investors and players in the region, and

permitting the West African textiles sector to follow the trajectory of other successful cases (Bangladesh and Sri Lanka).

IFC's Expected Role & Additionality

Financial additionality – Financing structure: IFC will provide a long-term loan with a sufficient grace period, which is not readily available to the company in the local markets. The loan will be structured to fit the needs of a greenfield apparel project that needs sufficient time for construction and ramp-up. The IDA PSW subordinated loan also gives sufficient cushion to provide the necessary cover for the IFC senior tranche. Non-financial additionality- Standard Setting: IFC will provide technical, Environmental Health, and Safety expertise to improve overall environmental and safety (E&S) performance as well as introduce the international best practice to the client. IFC will also help SGG strengthen the workplace policies for the female workforce (i.e., gender advisory).

Environmental and Social Categorization Rationale - Environment Category (B - Limited)

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; (ii) 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.

Description of Main Environmental & Social Risks and Impacts of the Project

Please refer to the Environmental and Social Review Summary (ESRS) linked to this project SII in the IFC's project disclosure website.

Environmental and Social Action Plan

Refer to the E &S Action Plan tab in the ESRS on the SPI (publishing) site.