

Tavan Bogd Foods LLC in Mongolia

INFORMATION SUMMARY FOR THE PUBLIC

Host Country:	Mongolia
Name of Borrower:	Tavan Bogd Foods LLC, a limited liability company organized under the laws of Mongolia (the “Borrower” or “Project Company” or “TBF”).
Project Description:	Establishment, construction, and start-up operation of up to eight Kentucky Fried Chicken (“KFC”) brand “in-line” and “free standing” restaurants, and five Pizza Hut (“PH”) brand “in-line” restaurants in Ulaanbaatar, Mongolia (the “Project”) under franchise agreements with KFC Restaurants Asia Pte. Ltd. for the KFC restaurants and Pizza Hut Restaurants Asia Pte. Ltd. for the PH restaurants (the “Restaurant Agreements”)
Proposed OPIC Loan:	\$7,250,000, up to 7 years including a 18 month grace period
Total Project Costs:	\$14,500,000
U.S. Sponsor:	Significant U.S. business involvement in Project by Yum! Brands, Inc.
Foreign Sponsors:	Mongolian entities and individuals that are direct owners of the Borrower, which are Tavan Bogd Trade LLC, a limited liability company and parent company of TBF organized under the laws of Mongolia, and Khulan Dashdavaa.
Policy Review	
U.S. Economic Impact:	<p>Initial U.S. procurement will total \$243,956 for the purchase of various types of cooking equipment, which is expected to generate 0.8 person-years of direct and 0.7 person-years of indirect employment. Annual operational U.S. procurement is expected to be \$715,694 for the purchase of food items. This procurement is expected to generate 24.6 person-years of direct and 11.9 person-years of indirect U.S. employment. The Project is not expected to result in the displacement of U.S. production. Thus, the Project is expected to support a total of 38.1 person-years over the first five years of operations, which is equal to approximately eight U.S. jobs.</p> <p>Capital outflows from the U.S. are expected to equal \$7.3 million, while reflows from loan principal and interest are expected to total \$8 million over the first five years of the Project. Total procurement from the U.S. is expected to generate \$3.8 in U.S. exports over the first five years. The Project will not export to the United States. With a net positive current account impact of \$3.8 million and net positive capital account impact of \$727,745, this Project is expected to have a net positive impact on U.S. balance of payments of \$4.6 million over the first five years of project.</p>

<p>Developmental Effects:</p>	<p>This Project is considered to be “Highly Developmental”. It will have a positive developmental impact in Mongolia with support for a local conglomerate’s move into the QSR industry under a master franchise agreement. Despite several years of strong economic growth, there are few international restaurant franchises operating in the country. In addition to developing the franchise model, this Project will create a number of both full-time and part-time employment opportunities for the young generation of Mongolians. On the back of the commodities boom, Mongolia’s employment level is under five percent according to the ILO, but the unemployment rate among the country’s youth is more than double that of adults. Employment opportunities in the formal sector are especially difficult to obtain for the country’s youth.</p> <hr/> <p><i>Screening:</i> The Project has been reviewed against OPIC’s categorical prohibitions and has been determined to be categorically eligible. Construction and operation of retail food chains are screened as Category B projects under OPIC’s environmental and social guidelines because impacts are site-specific and readily mitigated.</p>
<p>Environment:</p>	<p><i>Applicable Standards:</i> OPIC’s environmental and social due diligence indicates that the Project will have impacts which must be managed in a manner consistent with the following of the International Finance Corporation’s (IFC) 2012 Performance Standards (PS):</p> <ul style="list-style-type: none"> •PS1: Assessment and Management of Environmental and Social Risks and Impacts; •PS2: Labor and Working Conditions; •PS3: Resource Efficiency and Pollution Prevention; and •PS4: Community Health, Safety, and Security. <p>The Insured represents that all land will be acquired using voluntary transactions at market rates, and that no physical or economic displacement is anticipated. The restaurant sites are not located in or near protected areas or sensitive ecosystems and significant biodiversity impacts are not anticipated. Additionally, the Project is not expected to have adverse impacts on indigenous peoples or cultural heritage. Therefore, PS 5 through PS 8 are not triggered by the Project at this time.</p> <p>In addition to the Performance Standards listed above, the IFC’s April 30, 2007 Environmental, Health, and Safety (EHS) General Guidelines are applicable to the Project.</p> <p><i>Environmental and Social Risks and Mitigation:</i> Environmental</p>

	<p>and social issues are those typically associated with the construction and operation of restaurants, including the need for appropriate occupational health and safety (OHS) measures, hygiene and food quality, solid and liquid waste disposal, energy and water use, and life and fire safety.</p> <p>The Insured has an OHS Policy and OHS Guidelines that establish requirements pertaining to training, personal protective equipment, monitoring, and reporting. The Insured requires its subcontractors to adhere to the requirements of its OHS Policy and OHS Guidelines. The Insured follows the YUM! Food Safety Standards and local requirements (Food Law of Mongolia), and has standard operating practices related to food safety (covering product preparation, equipment, and service). The restaurants will utilize public utility services for potable water, electricity, and wastewater removal. During construction the head contractors are responsible for disposal of waste and construction debris, and the Insured includes requirements for proper waste disposal in the construction contracts. During restaurant operations, waste collection and disposal are provided by the City Landscaping Office of Mongolia. The Insured is participating in YUM! Franchise Asia Pte. Ltd.'s (parent company of each of Yum!-KFC Asia and Yum!-PizzaHut Asia) "Spend Smarter and Build Smarter" programs, which include energy and labor efficiency initiatives. The Project is expected to emit less than 150 tons of CO2 equivalent per year (from the use of backup generators). Restaurants must comply with the YUM! Restaurant International's design and construction requirements to provide a safe environment for employees and the public. Additionally, the Insured has a Telecommunication and Fire & Security Program that is designed to ensure life and fire safety and meet the Mongolian Emergency Management Department's requirements.</p>
Workers Rights:	<p>OPIC's statutorily required standard worker rights language will be supplemented with provisions concerning the right of association, organization and collective bargaining, minimum age, hours of work, the timely payment of wages, and hazardous work situations. The Project will also be required to operate in a manner consistent with the requirements of the International Finance Corporation's Performance Standard 2 on Labor and Working Conditions. Standard and supplemental contract language will be used.</p>
Human Rights:	<p>OPIC issued a human rights clearance for this Project on December 17, 2014.</p>

