

Environmental and Social Data Sheet

Overview

Project Name: *MHP AGRI-FOOD*
 Project Number: *2012-0184*
 Country: *Ukraine*
 Project Description:

The project involves the construction and operation of an integrated chicken fodder production complex with an annual output capacity of 1300000 t/year located on a 52 ha site close to the town of Ladyzhyn in Vinnytsia in western Ukraine. The project will integrate oil seed crushing and grain and sunflower storage with the fodder production and forms part of a major regional investment programme aiming at the expansion of the chicken meat production capacity of the promoter which is being implemented at its new Vinnytsia site over several years. The total capacity of the new grain elevators will be 400,000 m³. The sunflower crushing plant will have a maximum capacity of 500,000 t/year of sunflower seeds and produce oil rich sunflower cake and degummed sunflower oil.

EIA required: YES
 Project included in Carbon Footprint Exercise¹: NO

Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

Within the EU the project would, by virtue of its technical characteristics, fall under the scope of Annex II of EIA Directive 2011/92/EU. The sunflower crushing plant will use only thermo-mechanical procedures for the sunflower oil extraction and does not include any chemical extraction and energy intense distillation.

An Environmental Impact Study (EIS) was required under the Ukrainian legislation. This was completed in 2010. Based on this EIS, the Ukrainian Authorities granted the "ecological permit" in 2010, which is a condition for the issuance of the construction permit. The project incorporates best available techniques (BAT) for emissions abatement and the air and water emissions are expected to be within the limits set by international and European standards. The generated waste is neither significant nor of dangerous nature and the corresponding and appropriate disposal mechanisms have been established. A confirmation by the Promoter of the expected emission levels has been included as a disbursement condition to finance contract.

The social and occupational health framework in Ukraine is developing and the government has ratified the ILO Core Labour Standards. The Promoter has appointed a Corporate and Social Responsibility (CSR) manager and is currently working to pull its existing initiatives and procedures in this area together under one integrated CSR/OHS policy with an implementation plan. The Promoter aims to have this policy ready by end of 2012 and it should take immediate effect. The development and implementation of the CSR/OHS policy will be an undertaking in the loan contract.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

Environmental and Social Assessment

Environmental Assessment

The project is part of a regional investment programme of the Promoter that also concerns several facilities related to intensive rearing of poultry and one slaughterhouse facility. These independent facilities are and will be subject to full environmental impact assessments.

According to the Ukrainian environmental legislation an operation permit with the corresponding emission limits for the proposed plant has to be issued before commissioning. An operations permit has already been issued for the grain and sunflower seed elevators. The emission limits set under Ukrainian environmental law are not in line with international and EU standards. The project incorporates best available techniques (BAT) for emissions abatement and the air and water emissions are expected to be within the limits set by international and European standards.

The main emissions expected for the plant are the emissions to the air (mainly dust from the handling and crushing and some limited amount of NO_x, SO₂ and mercury due to the boiler and dryer units), waste water and waste generated by the grain storage facilities and the crushing plant and the biomass boiler. Natural rain and spillage water is collected and decanted in containment basins before release. The plant generates 340 m³/day of waste water which will be treated at an on site flotation unit and then sent for biological treatment to an external waste water treatment plant operated by the Promoter at another facility, 5 km away from the project plant.

The Environmental Impact Study (EIS) included the modelling of the impacts of the plant's emissions on the ambient air quality according to the Ukrainian OND-86 norm. These are within the maximum permitted concentrations set by the Ministry of Health of Ukraine and a minimum legally required safety protection zone of 100 m from the emission points has been established. According to the "Ecological Permit" report no urbanised areas are affected. The plant's overall emissions to the air are moderate and have to be seen in the context of the rural environment where it is located.

The size of the project also has an impact on the number of truck movements during the peak harvesting season when the storage silos are being filled. A peak of 600 trucks per day, including night traffic, is expected to enter and exit the plant. In order to minimise the impact and facilitate access, the Promoter has built a ring road around the settlement of Lukashivska which is close to the plant.

Social Assessment

The Promoter has internal procedures to safeguard health and safety among its staff and communities close to its sites, an internal grievance procedure, and engages with the local communities in the Vinnytsia region through the social media. The company also promotes social infrastructure and actions with the neighbouring communes and villages. These actions include investments in housing, schools and kindergartens and infrastructure, as well as university grants and social activities at the community level. The Promoter is aware of the OHS18001 management standard which they are in the process of applying to their operations.

Public Consultation and Stakeholder Engagement

According to the "Environmental Permit" report, the Promoter carried out a formal public hearing with people and representatives of the commune of Ladyzhyn. He also published the notification of assessment results in 2 regional newspapers. This was necessary for the non-objection from the competent environmental authorities to the project. The Bank will only proceed with the loan operation if evidence of satisfactory hearings is handed over. The presentation of the minutes of these public hearing session and the newspaper notifications to the Bank will be required from the Promoter as a disbursement condition.

Other Environmental and Social Aspects

Most of the Promoter's meat production facilities, as they relate to its chicken rearing and slaughtering procedures, are certified under FSSC (Food Safety System Certification) and ISO 22001. The Promoter is also certified under the quality management standards scheme ISO 9001.

EC DG SANCO (Health and Consumer Directorate) has recently visited Ukraine to evaluate the official controls systems for poultry meat, poultry meat products and egg products destined for export to the European Union. It found that there had been general progress in the certification of hygiene standards, as applied to poultry meat production, but some deficiencies were identified and corrective actions were recommended, particularly with regard to animal welfare during the slaughtering process. The Promoter's installations were among those visited by the EU authorities during this assessment. Following this audit, Ukraine has not been given clearance for the export of poultry goods to the EU for the time being.

The feed ingredients stated by the Promoter to be used for its feed formula do not include any products marked as "undesirable" under the relevant EU legislation or equivalent WHO requirements. Nevertheless, an undertaking committing the promoter not to use any product containing undesirable substances as defined in the relevant EU and WHO requirements (i.e. EU Directive 2002/32/EC and Regulation (EC) No 1069/2009 and its amending EU acquis), nor any animal and bone meal products as raw material for production of the feed at the project plant has been included in the finance contract.