

Environmental and Social Data Sheet

Overview

Project Name:	AGRICULTURAL MODERNISATION AND INNOVATION
Project Number:	2016-0873
Country:	Ukraine
Project Description:	The project consists of following components: 1) Construction of 4 new grain elevators and silos (4 locations) and expanding grain silos on one additional site, the total storage capacity constructed is 440 000 tonnes, 2) Construction of a new 50 000 tonnes sugar silo, and 3) RDI activity to develop a tailored agribusiness management software that is capable for optimizing the management and operation of a range of different agribusiness activities typical for agricultural holdings in Ukrainian context.

EIA required: yes

Project included in Carbon Footprint Exercise¹: no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Over the years, Astarta has strengthened its Environmental, Health and Safety (EHS) department, due to rising requirements by IFIs and endorsement from its shareholders to continue the transition towards environmentally and socially more sustainable business activities. The company has a clear and structured EHS policy, with a roadmap and corporate targets to be achieved over a defined time period. A team of 60 people, notably environmental and social experts, are working directly for the EHS department.

Environmental Assessment

The investment in new grain elevators with silos and sugar silo fall under the scope of Annex II of EIA Directive 2011/92/ EU.

The Promoter is aiming to finish implementation of ISO 14001 and 22000 certifications at all its new facilities by the end of 2022. Currently Astarta's operating units have compliant emergency preparedness and response plans, as well as approved sanitary protection zones. People are trained on a regular basis for general safety and fire safety.

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.

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Grain and Sugar Silos

Concerning permits of the new silos (grain and sugar), some projects may or may not have to undergo individual Environmental Impact Assessments (EIA) under the Ukrainian legislation. Nevertheless, EIB will request the promoter to provide an EIA (EIA Directive 2014/52/EU, amending 2011/92/EU) for each project satisfactory to the Bank.

According to the Ukrainian environmental legislation, an operating permit with the corresponding emission limits for the proposed facilities has to be issued before commissioning. Operating permits can only be received if mandatory sub-permits (“water use”, “emissions to ambient air” and “wastes collection and disposal”) are first obtained, alongside specific permits that would be required for treating hazardous subjects (e.g. asbestos). The EIB will request the promoter to provide the operating permits for each project satisfactory to the Bank.

The silos are developed in compliance with national regulatory requirements and the EU standards for emissions abatement. The air and water emissions are expected to be within the limits set by the EU standards. The generated waste is neither significant, nor of dangerous nature and the corresponding and appropriate disposal mechanisms have been established.

The main emissions from the silo operations are expected to be emissions to the air (dust and GHG from grain and sugar handling-drying operations). BAT dust abatement aeration units (that include filters, central vacuum, cyclones, etc.) will reduce significantly dust emissions and prevent risk of dust explosion. For grain silos, waste bunkers will collect residues and dust that will be used as feedstock for bioenergy plants or animals. The silos, equipped with gas burners to dry grains or gas boilers to heat the sugar silo facility, will only emit seasonally GHG. Each elevator will have a water pond for fire security purpose and a spillage / waste water retention pond.

The Construction of silos contributes to the EU Climate Action policies (both mitigation and adaptation).

Social Assessment, where applicable

The community and occupational health & safety setup in Ukraine is developing and the government has notably ratified the ILO core labour standards.

Astarta has a documented Corporate Social Responsibility (CSR) policy. It has internal procedures to safeguard health and safety among its staff and communities close to its sites, as well as an internal grievance procedure. Astarta is also engaged in programs for the enhancement of their employee welfare. These include, for example, subsidized hot meals, financial support for housing (loans), and remuneration for birthdays and funerals.

In 2008, the company joined the UN Global Compact scheme to conduct active social policy and charity. The latest progress report was issued in March 2017 for the year 2016, and it shows improvements both in environment and social issues.

Astarta engages with the local communities in the regions where it operates. It promotes social infrastructure and actions with the neighbouring communes and villages. Around EUR 1 million is spent annually to provide assistance to the development of territorial communities, as well as educational and medical institutions in the countryside.

Luxembourg, 19 September 2017

Astarta is leasing 250 000 hectares of land and pays rents to the owners of the original land tenure rights accordingly. The average contract duration is 7 years. Land swaps are available for the original land tenure holders to either use their land by themselves or lease it to someone else (for more details see below section “Risks and social impacts related to land tenure system”). The project will not trigger any involuntary resettlement.

Public Consultation and Stakeholder Engagement

Astarta has a complaint mechanism in place through a hotline, specific email addresses, dedicated mail-boxes on its industrial sites and on neighbouring villages. All allegations and complaints are recorded, reported and summarized to the Head Quarters in Kiev. The grievances are addressed directly by Astarta HQs or locally by business managers, depending on the characteristics of the requests. Corrective and preventive actions are put in place and they are monitored by the EHS Team.

All project units included in the investment programme will undergo an EIA, including public hearings and a formal project announcement in the local press at the beginning of the planning phase with the key project characteristics.

At the time of the appraisal, only the Dobrobut and Dovzenko projects had entered into the permitting phase. The project announcement was published in the local press and the Promoter has already carried out a first formal, preparatory, public hearing with the stakeholders (citizen and authorities) of the commune of Dobrobut on 21 March 2017. The announcement in the local press has been shared with the Bank’s services. Remaining information (minutes, mitigation action plan, etc.) has still to be shared with the EIB for this location. Public hearings for the other locations will be conducted and reported to the Bank accordingly (this will be a loan undertaking).

Other Environmental and Social Aspects

In 2016, the Ukrainian traffic code changed, in order to set maximum weight per truck. The Promoter has implemented a policy to control inbound and outbound truck overweight. If a truck arrived at any facility overloaded, a penalty fee is applied to the transport supplier.

Risks and social impacts related to land tenure system: The traditional peasant farming was eliminated in Ukraine at the communist revolution in early 20th century. The land was nationalized and transferred into large scale kolkhoz-type farming systems. After the communist era, the land was re-privatized to kolkhoz workers. This led to a large number of small land owners (2-4 hectares each), who were no longer peasant farmers. The land area given to an individual Kolkhoz worker is also too small to guarantee subsistence and no service infrastructure was available to put this small land portions into cultivation were leased by their owners to commercial farming units, usually integrated later on to large agro-food companies that manage thousands of hectares of leased land.

In collaboration with the World Bank, the re-privatization of agricultural land was designed to protect the landowner property rights and to mitigate the land tenure insecurity by significant government intervention. These intervention measures are i) the prohibition to sell/purchase agricultural land , ii) a minimum rent per land hectare; iii) land banks and land swaps to allocate accessible arable land for those land owners who e.g. prefer to cultivate their land by themselves. The land tenure risk is also reduced by the country’s vast arable land areas. About 10 million hectares of arable land are still owned by the public authorities and 5 million hectares of all arable land are still under no cultivation or inefficient cultivation.

Luxembourg, 19 September 2017

Conclusions and Recommendations

Disbursement conditions

- All the project's components must be screened for an EIA (EIA Directive 2014/52/EU, amending 2011/92/EU) by the competent authority. EIAs must be provided to the Bank prior to the construction start, along with the confirmation that all mitigation measures will be implemented. In addition, the Bank shall receive the minutes of the public hearing sessions and the newspaper and/or internet notifications carried out in the context of the environmental permitting (EIA) procedure, showing that the project has undergone satisfactory public consultation.
- The promoter shall also provide the Bank with building permits prior to disbursing the relevant tranche of the loan.

Undertakings

The promoter undertakes:

- to submit to the Bank the operating permit(s) for the individual components of the project before the start of their operations
- To implement and operate the relevant projects in conformity with applicable national and EU environmental law including on EIA.