

Environmental and Social Review Summary

Can-Pack Ukraine

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed in advance of the MIGA Board consideration of the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA's activities. This document should not be construed as presuming the outcome of the decision by the MIGA Board of Directors. Board dates are estimates only.

Any documentation which is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.

Country:	Ukraine
Sector:	Manufacturing
Project Enterprise:	Can-Pack (Ukraine) Ltd.
Environmental Category:	B
Date ESRS Disclosed:	May 13, 2008
Status:	Due Diligence

A. Project Description

The original project, first guaranteed by MIGA from September 4, 2003, utilized existing industrial buildings in the northwestern part of Kiev to install a highly automated facility to manufacture aluminum cans for beverage packaging using modern technology. In January 2008, the investor requested coverage for a new investment to expand the production line, continuing the same activities at a larger scale. The facility's output will increase from 1,700 cans per minute (cpm) to 2,400 cpm, increasing annual production from 650 million cans to 950 million cans, to meet increased demand in Ukraine and surrounding countries.

B. Environmental and Social Categorization

The Can-Pack building is located with similar manufacturers in an industrial estate, which provides access to utilities. No conversion of land occurred at the outset, and none is now required for the expansion. The Can-Pack expansion is Category B under MIGA's environmental review procedures because the impacts are site-specific, limited in number, and mitigation measures are readily identifiable.

C. Applicable Standards

Based on our current information it is expected that the following Performance Standards are applicable:

- PS1: Social and Environmental Assessment and Management System
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement

- PS4: Community Health, Safety and Security

D. Key Documents and Scope of MIGA Review

In addition to the Definitive Application for MIGA Guarantee, the key documents reviewed by MIGA were:

- *Volume 2 Environmental Impact Assessment*. 2003. Contractor Project for the Production of Aluminum Beverage Cans by JSC Can-Pack (Ukraine) on the Karat Plant Site in Vyshgorod, Kyiv Oblast. 5893-OVNS. (Translation).
- *Chemical Analysis of Industrial Sewage (Enclosure No. 1)*. August 27, 2007 (Sampling Date). Utility Company Maintenance Station Kyivpastrans, Department of Labor Protection, Sewage Control and Environment (Sanitary-Industrial Laboratory). (Translation).
- *Authorization # 3221810100-7 for Emission of Polluting Substances into Atmosphere by Stationary Source*. October 1, 2007. Period of Validity 12.11.2007 up to 12.11.2012. Ministry of Environmental Preservation of Ukraine. (Translation).
- *Authorization for Waste Products Allocation in Year 2008 # 234-4*. August 15, 2007. State Administration for Environmental Preservation in Kyiv Region, Ministry of Environmental Preservation of Ukraine. (Translation).
- *Summary of HR Policies*. Undated. Can-Pack (Ukraine) Ltd.
- *Summary of Occupational Health and Safety Policies*. Undated. Can-Pack (Ukraine) Ltd.

The Regional Administration's approval for expansion of the production line is contained in the following documents:

- *Committee Report on Inspection of Building No. 1 for Expansion of Production of Aluminum Cans for Beer and Soft Drinks by Can-Pack Ltd. (Ukraine)*. October 9, 2007 (Valid for Two Years). Committee Leader Deputy Head of State Administration, Kiev Region. (Translation).
- *Conclusion No. 03/02-37 for Building Project: Minutes of Project Approval*. January 24, 2008 (Valid for Four Years). Kiev Region Sanitary & Epidemiological Station, Ministry of Health of Ukraine. (Translation).
- *Expert Review 08B of Design Plan as Regards Its Compliance with Normative Acts on Occupational Health and Safety No. 04-1970-13705*. March 19, 2008. Kiev Expert and Technical Center. (Translation).
- *Note Respecting Implementation of Corrections Based on Expert Review 08B of Design Plan*. March 31, 2008. Head of Kiev Expert and Technical Center. (Translation).

MIGA's review of this project consisted of appraising the environmental and social information submitted by the investor-concessionaire, and a visit on April 16, 2008, by MIGA's environmental specialist to the project site to meet with company management and observe operations.

E. Key Issues and Mitigation

PS1 Social and Environmental Assessment and Management Systems. The Environmental Impact Assessment was conducted in 2003 as part of site permitting, in accordance with industrial investment laws and regulations of Ukraine. The Kiev Regional Government approval for the current expansion-in-place did not require a further EIA, but rather separate assessments of the project's offsite (environmental) and onsite (occupational health and safety) impacts. Details of this process are provided below.

Social and Environmental Issues. Can-Pack's expansion will have no significant adverse social impacts. The key environmental issues are the management of air and noise emissions, solid waste, and liquid effluent, largely described below under PS3 and PS4. All adverse environmental impacts appear to be adequately managed, and based on this review this investment is expected to comply with MIGA's environmental policies and standards. The project enterprise operates a social and environmental management system incorporating mitigation measures and implementation strategies with reference to Performance Standards 2, 3, and 4, updated as necessary.

PS2 Labor and Working Conditions. The "Summary of HR Policies" prepared by facility management for MIGA indicates the project enterprise applies policies-- personnel, labor relations, workers organizations, working conditions, nondiscrimination, staff reduction, grievance mechanism, and avoidance of child and forced labor—in compliance with PS2.

Occupational Health and Safety. During the original due diligence for this facility, the President and CEO of Can-Pack represented that Can-Pack (Ukraine) would implement a worker safety policy equivalent to the General Health and Safety Guidelines then applied by MIGA. Facility management reviewed the current General EHS Guidelines, and believes the operation is in compliance with these; the "Summary of Occupational Health and Safety Policies" supports this representation. As noted above, the Kiev Regional Administration's permitting for the expansion paid particular attention to workplace health and safety standards. The production process is highly automated, and operators have little exposure to hazardous materials and energy. Use of hearing protection is enforced, though noise exposures are moderate. A powerful ventilation system prevents buildup of volatile organics in workplace air, even when standing next to the printing and lacquering operations. Emergency/contingency planning for the facility focuses on shutdown and evacuation in a fire emergency.

PS3 Pollution Prevention and Abatement. Can-Pack's manufacturing processes are designed to limit emissions, effluents, and waste generation. The EIA concluded that when the facility is operated according to regulations, pollution of surface water or ground water resources is "ruled out."

Air and Noise Emissions. Minor quantities of volatile organic compounds are emitted from the can printing and lacquering processes; nitrogen dioxide and carbon monoxide are emitted from the gas-fired drying process. Air emissions are periodically monitored by the Environment Preservation Ministry Regional Sanitation Station as part of the Emission Permit renewal process. The permit indicates rather precise monitoring of each chemical emitted from individual machines; these emissions are removed by dust and fume extractors attached to the ventilation system. The enclosed machinery emits low levels of noise, which are contained within the production buildings.

Effluents. Wastewaters, mainly from the washing and printing processes, enter the project's sewage pretreatment plant along with incidental spills collected by floor drains. These effluents comply with pretreatment standards, and are discharged for further treatment in the municipal sewage treatment system. Sludge from the pretreatment plant is stabilized and sent to a recycling operation that recovers metal.

Solid Wastes. Annually, about 1,500 tonnes of aluminum cuttings are pressed and sold as nonferrous scrap to recyclers; this represents more than 70 percent of the 16 types of waste produced by Can-Pack. The waste inventory is monitored annually by the Government to determine the following year's allocation. Each type of waste has an assigned hazard class and a permitted recycling or disposal facility, listed on the annual waste allocation. About 40 tonnes of waste is landfilled annually in municipal facilities, while about 5 tonnes is burned for energy recovery. The only Class I (Hazardous) waste identified is fluorescent lamp tubes, about 1,000 per year, sent to a specialized facility.

PS4 Community Health, Safety and Security. The industrial buildings in which the Can-Pack operation is sited (KARAT Production Block 1) were originally used for electronic component manufacture and mainframe computer assembly. When mainframe computers became obsolete in the late 1980's, the buildings were allocated to other industries, with Block 1 vacant until a portion of it was acquired by Can-Pack in 2002. The closest residential structure is 170 meters northwest of the building. Pursuant to regulations for metalworking (non-foundry) and printing industries, the buffer zone width for Can-Pack was determined to be 50 meters. In permitting the current expansion, the Regional Administration increased this to 100 meters. There are only industrial and commercial activities within this radius, so that the project does not pose equipment, hazardous materials, environmental, natural resources, or security-related risks to nearby communities.

Effects on Sensitive Receptor. Modeling results have shown negligible noise impacts at the nearest residential building, not exceeding 34.5 dBA, against day and night noise standards of 55 and 45 dBA. Modeling of ground-level concentrations of eight pollutants used in 12 production process machines showed that none exceeded 34 percent of the maximum permitted concentration. At the edge of the 50-meter buffer area, none of the pollutant concentrations, when added to background levels, exceeded 50 percent of the maximum permitted concentration. Later government monitoring of air emissions have supported this prediction.

F. Environmental Permitting Process and Community Engagement

The Environmental Impact Assessment documentation was produced by the VNDIHIMPROEKT Institute in 2003, in accordance with environmental protection, environmental assessment, and air quality laws of Ukraine, as part of the facility permitting. Regional Government approval for the current expansion-in-place did not require a further EIA, but rather “expert review” of the project’s environmental and occupational health and safety impacts, as detailed below.

A visit by a committee of the Kiev Region State Administration on October 9, 2007, found the building “suitable” for expansion of the can production line. The general environmental (“epidemiological and sanitary”) permit for the expansion was approved by the Ministry of Health on January 24, 2008. An “Expert Review” of compliance with occupational health and safety (OHS) provisions was approved on January 16, 2008, pending implementation of corrections requested in the review. A certificate that these corrections were implemented and the project is in OHS compliance was issued on March 31, 2008.

The Ukrainian regulatory system assumes that, if the facility operator implements design solutions for environmental protection, environmental safety requirements are met. If impacts do not extend beyond the “sanitary buffer zone,” public disclosure and consultation are not required.

G. Availability of Documentation

No documentation, other than this Environmental and Social Review Summary, is available for this project.