



Environmental and Social Review Summary

OOO Ken-Pak Zavod Upakovki

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed prior to the date on which MIGA's Board of Directors considers 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 MIGA's Board of Directors. Board dates are estimates only.

Any documentation that 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.

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|-------------------------|------------------------|
| Country: | Russian Federation |
| Sector: | Manufacturing |
| Project Enterprise: | Ken-Pak Zavod Upakovki |
| Environmental Category: | B |
| Date ESRS Disclosed: | November 27, 2013 |
| Status: | Due Diligence |

A. Project Description

MIGA first provided guarantee support for this project enterprise in 2009. The guarantee was issued for the construction of an aluminum beverage can factory in an industrial area of Volokolamsk, 70 km west of Moscow, Ken-Pak's first such facility in the Russian Federation.¹ The currently proposed guarantee is to support expansion of the project enterprise to include a second factory in Novocherkassk, in the Rostov region. The new investment supports the installation, assembly, and startup of the beverage can production line and conversion of existing buildings to provide sufficient space for production and warehousing. The Novocherkassk plant is expected to double the project's production capacity in the Russian Federation from the current 950 million to 1,900 million cans per year. The European Bank for Reconstruction and Development (EBRD) is involved in both facilities as lender to the project enterprise. Construction has now been completed on the Novocherkassk plant and the facility is in the operations phase.

The core of the operations at the two facilities is a fully automated beverage can production line that incorporates the following technological processes:

- stamping out semi-products from aluminum strip on a press
- drawing and ironing of the semi-products on a horizontal bodymaker press
- trimming the drawn cans to specified size on trimming machines
- washing and drying cans

¹ See Summary of Proposed Guarantee and Environmental and Social Review Summary for OOO Ken-Pak Zavod Upakovki, both dated July 7, 2009, available at <http://www.miga.org>

- coating the bottom rim of the cans with lacquers
- coating the interior of the cans with water based lacquers
- coating the exterior of the cans with modified acrylic and polyester resins
- drying the cans in a gas heated oven
- necking and flanging the open side of the cans on a necker/flanger
- testing the finished can using a video inspection system
- palletizing the cans on a palletizer

B. Environmental and Social Categorization

Ken-Pack's operations in the Russian Federation, including the continued coverage of the original facility and the construction of the new facility, are a Category B project under MIGA's Policy on Social and Environmental Sustainability because the anticipated impacts are site specific and limited in number and mitigation measures are readily identifiable. Based on information provided by the client, the key environmental and social issues are: air and noise emissions, wastewater treatment and disposal, solid waste management, occupational health and safety, worker relations, and traffic management.

C. Applicable Standards

While the project must ensure compliance with all Performance Standards which are applicable to it, our current information indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Social and Environmental Assessment and Management System
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security

This project involves development within an established industrial zone. PS5: Land Acquisition & Involuntary Resettlement does not apply to this project as there will be no land acquisition involving physical or economic displacement of residents. There are no ecologically sensitive areas in close proximity to the facility, therefore PS6 does not apply. No impacts are expected on indigenous peoples (PS7) or cultural heritage (PS8).

D. Key Documents and Scope of MIGA Review

In addition to client communication and internal MIGA documents relating to MIGA's ongoing support of the project, MIGA reviewed the following documents or summaries of the documents:

- Definitive Application to MIGA
- Annual Environmental and Social Report for 2012 (July 2013) submitted to EBRD
- EBRD Operation Evaluation (March 2013)
- Project Progress Reports prepared by Ken-Pak from 2012 and 2013
- Permission to Start Operations dated October 11, 2013 (Novocherkassk facility)

- Integrated Management Systems – Environmental Protection Acts and Regulations dated February 20, 2012 (applies to both facilities)
- Integrated Management Systems – Waste Management dated December 5, 2012 (applies to both facilities)
- Labor Protection – First Aid Instructions dated March 25, 2013 (applies to both facilities)
- Sound Level Measurement Report dated June 26, 2013 (Volokolamsk facility)
- Sound Level Assessment Report dated January 23, 2013 (Volokolamsk facility)
- Laboratory Testing and Results (light, noise, drinking water) dated April 12, 2013 (Novocherkassk facility)

MIGA conducted an E&S monitoring visit to the Volokolamsk site in November 2011.

E. Key Issues and Mitigation

PS1: Social and Environmental Assessment and Management Systems

Social and Environmental Assessment:

The Novocherkassk facility is located within an industrial zone and makes use of rehabilitated existing buildings. As a consequence the local regulations do not require a full Environmental and Social Impact Assessment. In order to obtain permission for construction and operation the company submitted information on certain aspects of the facility including the physical footprint of the buildings, materials used, and detailed information on air emissions, waste management, and water use. From time to time the company conducts environmental and social assessment on additional E&S aspects in accordance with its own E&S practices and EBRD recommendations.

Management Program and Monitoring:

The Volokolamsk facility operates under an integrated management system which is independently audited by certification bodies to ISO 14001 (environmental management systems), and OHSAS 18001 (occupational health and safety management system) standards. The most recent ISO and OHSAS audits took place in December 2012. The ISO 14001 certificate was issued in January 2013 and the OHSAS 18001 certificate was issued in March 2013. ISO 14001 and OHSAS 18001 certifications will also be obtained for the Novocherkassk facility and are anticipated in 2014.

Senior management maintains responsibility for maintenance of the management system. The Occupational Safety Engineer reports directly to the Chief Executive Officer, while the Environmental Protection Professional (within the Technological Department) and Quality Management Specialist responsible for the integrated management system's operation report to the Technical Director.

Organizational Capacity and Training:

The company conducts regular training on health and safety issues. Training in the most recent reporting period included: working with gas equipment, chemical handling, waste handling, and working at height. In addition, a gas explosion emergency drill was held.

PS2: Labor and Working Conditions

Worker health and safety: the project is in compliance with occupational health and safety requirements. The worker safety record has been excellent; in the most recent reporting period the company experienced zero lost workdays and zero incidents. On MIGA's visit to the Volokolamsk site consistent use of personal protective equipment was observed. There is a company-produced first aid manual in place for both facilities.

Contractor management: the project is in the process of developing procedures to monitor third party contractors' EHS performance. This will address the traffic safety aspects of the project's distribution network involving third party trucking companies.

HR policies, procedures, and worker relations: the company enjoys good worker relations and has not received any employee grievances in the recent reporting period. The company's Human Resources Policy is in compliance with applicable legal requirements and applies to both facilities. It covers conditions of employment, including maximum hours of work and other issues mandated by Russian law, and also fire and life safety of workers. The Volokolamsk facility employs 179 people, of whom 29 are women, and the Novochoerkassk facility employs 160 people, of whom 30 are women. There is one woman on the company Board of Directors and at least one woman in a senior management role.

PS3: Pollution Prevention and Abatement

Hazardous materials: hazardous materials are appropriately stored, handled, and disposed, with no instances of emergency spills.

Air emissions: both facilities are in compliance with regulations regarding air emissions. The Volokolamsk facility is located within a Sanitary Protection Zone ("SPZ") which was established by the Russian authorities. Residential buildings are prohibited from being constructed within established SPZs. However in this location well before the facility was constructed a former state factory became a residential building where 22 families are living. Due to the close proximity of these residents the project received complaints about odor. In order to address this legacy issue the company installed waste gas afterburner equipment to reduce the presence of odor-causing chemicals in the facility's exhaust. The complaints about the odor ceased following the installation of this equipment. Other measures are being discussed, including a possible reduction of the SPZ and/or relocation of the residents. Should relocation occur, compliance with Performance Standard 5 will be a requirement.

Water, waste water and storm water: The Volokolamsk facility uses approximately 300 m³ of water daily. Water is supplied by a third party owned well and waste water is disposed through the town's sewage system. Industrial waste water is subjected to a purification process involving pH correction, coagulation and flotation in order to meet the municipal wastewater treatment plant requirements. Storm and surface water runoff is collected in a holding pit and then disposed at a local treatment facility. Arrangements at the Novochoerkassk facility are anticipated to be similar, and most aspects will be covered in the Integrated Management System.

Noise: Sources of noise for each facility include the ventilation equipment, production equipment, compressor, transformer, parking area (commercial and passenger vehicles), and loading/unloading operations. The noise level in the Volokolamsk plant and in the nearby area

does not exceed the maximum permissible levels; however, the residents in the SPZ have expressed concerns about the current noise levels.

Solid waste: the facilities store and dispose of modest amounts of solid waste. The company is implementing improvements to solid waste management, including enhancement of storage space and segregation of waste streams. Recycling opportunities will be explored and implemented where feasible.

PS4: Community Health, Safety & Security

The facilities are not open to the public, and both facilities use fencing and unarmed security guards for site security. The company is developing traffic management procedures for the two facilities to address the impacts of third party trucks used for distribution. Both facilities are in industrial zones featuring a buffer zone (SPZ) to provide isolation from residential areas, notwithstanding the legacy of a small number of residents within the SPZ for the Volokolamsk facility. Community grievances are escalated to company management.

F. Environmental Permitting Process and Community Engagement

Stakeholder engagement: The CEO has taken direct responsibility for community engagement at the Volokolamsk facility. The company has committed to an analysis of key stakeholders and a stakeholder engagement plan for the Novocherkassk facility.

Permitting: all permits are in place for both facilities. The project enterprise will ensure that a mechanism is in place throughout the operation of both facilities to conduct community consultations and manage grievances.

G. Availability of Documentation

There is no documentation attached to this ESRS. For further information on the project please contact:

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