

Environmental and Social Review Summary

Mpongwe Milling, Zambia

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.

Country:	Zambia
Sector:	Agribusiness
Project Enterprise:	Mpongwe Milling
Environmental Category:	B
Date ESRS Disclosed:	27 th May, 2014
Status:	Due Diligence

A. Project Description

The project entails an investment by Chayton Africa of Mauritius (“CA”) through its subsidiary Chobe Agrivision Company Limited (Chobe) to acquire Mpongwe Milling (2009) Ltd (“MM”) (the “Project”), an existing wheat and maize mill located in an industrial area in Kitwe, in the Copperbelt Province of Zambia. The Project will represent the fourth investment to be underwritten by MIGA for CA. The first three investments were underwritten under a Master Contract (“MC”) executed with Chayton Atlas Investments¹ on May 10, 2010, which was fully utilized and expired on July 1, 2013. Links to those projects: [Chobe Agrivision Company Ltd](#) April 15th 2011, [Chobe Agrivision Company Ltd \(Amasenga Farm\)](#) May 11th 2012, [Chobe Agrivision Company Ltd \(Somawhe Estates\)](#) May 22nd 2013.

MM consists of a wheat and maize mill which operate as separate divisions and have shared administrative functions and costs. The wheat mill is a Satake mill commissioned in 1996 by MDC. The wheat mill produces flour, cake flour and bran. The maize mill is an Alapala mill commissioned in 2006, which was subsequently upgraded in 2009 and 2012. The mill produces breakfast meal, roller meal and bran. MM markets their products directly to the public (sold at depots and the mill), as well as through retailers and bakeries. CA intends to increase the mill utilization and operating efficiencies through reliable supply from its primary production assets.

¹ Chayton Atlas Investments changed its name to Chayton Africa on November 19, 2012.

B. Environmental and Social Categorization

The project is categorized B under MIGA's Policy on Social and Environmental Sustainability. The potential impacts are related to air pollution from dust, food contamination, solid and liquid waste management, workers health and safety, including the risk of flour dust explosions and community health and safety related to traffic through communities and the use of security guards.

C. Applicable Standards

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

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labor and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security

The project is not acquiring any additional land and is not affecting any biodiversity therefore PS5: Land Acquisition and Involuntary Resettlement and PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resource are not triggered. No Indigenous Peoples are identified as living in the area therefore PS 7 is not triggered. PS8: Cultural Heritage is not triggered, except for in the event of future land clearance, a chance finds procedure shall be developed.

Environmental Health & Safety (EHS) Guidelines that are expected to be applicable to this investment include:

- The General EHS Guidelines (April 2007)
- Food and Beverage Processing (April 2007)

D. Key Documents and Scope of MIGA Review

The following documents were reviewed by MIGA:

Mpongwe Milling (2009) Limited, Kitwe Zambia, [Environmental Audit report](#), Zenith Consulting Company Limited, April 2014.

An Environmental and Social Action Plan has been developed as a result of the audit to ensure the project complies with the relevant Performance Standards and EHS Guidelines. This [ESAP](#) is attached to MIGA's ESRS.

E. Key Issues and Mitigation

PS1: Assessment and Management of Environmental and Social Risks and Impacts

Social and Environmental Assessment:

CA contracted a Zambian environmental consulting company to complete an audit of the mill at the time of acquisition although this is not a legal requirement. The audit focused on environmental impacts, occupational health and safety and community health and safety.

Management Program and Monitoring:

As this is the fourth investment project which MIGA has guaranteed for CA, the client has already demonstrated its commitment to complying with the Performance Standards in relation to the other contracts and therefore we expect the same for this project. A number of policies, procedures and manuals related to social and environmental impacts have already been developed which will be relevant for this new acquisition and tailored as necessary such as the Human Resources Manual, Occupational Health and Safety Manual, Traffic Management Manual, etc. An Environmental and Social Management System (ESMS), consistent with ISO 14001 and an Environmental and Social Management Plan (ESMP) will be developed for the project. No dedicated staff is employed to deal with Environmental, Occupational Health & Safety (OHS). However, the Head of security has also been assigned responsible for safety issues. Management responsibilities for environmental, health and safety matters will be identified shortly to ensure the plant is compliant with relevant regulations and the performance standards.

In addition to the above polices, the client will seek HACCP certification.

Organizational Capacity and Training:

No training plan is in place regarding environmental management or occupational health and safety; however MM is in the process of assessing needs and will develop a training plan shortly.

An Emergency Preparedness Plan is in place however, drills are not carried out. A drill schedule will be developed and emergency response exercises will be carried out. Portable fire extinguishers are installed at critical areas within the plant and are serviced regularly. In addition, there are fire water hydrants, fire escape routes which are visibly marked leading to fire assembly point. MM's Safety Manual and employee training will address the potential for catastrophic dust explosions and emergency response in such an event.

PS2: Labor and Working Conditions

Approximately 173 full time workers (164 male and 9 female) are employed with only one international staff member.

Chobe has a Human Resources Policy that is incorporated in its Conditions of Service document that applies to all its current operations in Zambia. This document details the employment conditions, hiring and dismissal and a grievance mechanism amongst related matters. The objective of the Conditions of Service is to ensure consistency and fairness in handling personnel

and administrative matters, and to provide a ready reference for management and staff to ensure positive working relationships for the company and staff.

The company has a Safety Management Program and a manual that is applied across the Company and which will be adapted for operations at the mill. It addresses safety committees and meetings, employee training, permit requirements and procedures and accident investigation and reporting. Environmental, Occupational Health and Safety training will be provided as well as HIV/AIDS sensitization. Personal Protective Equipment is in place; however, not all staff uses it all of the time. The company is working to improve this with more regular training and enforcement. Speed limit signage will be installed within the mill compound at critical areas.

PS3: Resource Efficiency and Pollution Prevention

Services (electricity, sewerage, water supply, storm water disposal) are readily available at the site. Sewage will be disposed of via the city system and one septic tank for an onsite bathroom facility. The maize mill consumes about 1090 kl of water per year and the wheat mill consumes about 2200 kl per year. This water is sourced from the city water authority and is regularly monitored to confirm the water quality is acceptable. There are two bore holes on site where water can also be sourced. The borehole water passes through a filtration system before it is used and has been tested as potable. The plant is fully computerized which assists in water conservation as the production process is automated and precise amounts of water are used. Storm water collection around the fuel storage tank is currently inadequate but a solution is being investigated. The trucks and other smaller vehicles are fueled on site and maintained in the vehicle maintenance unit which meets the regulatory standards, apart from its practice of used oil disposal. Used oil from machinery is currently not disposed of by a registered waste disposal company therefore the company is in the process of identifying a suitable company.

Negligible waste is generated by the facility, primarily domestic solid waste. A private registered waste management company is engaged to collect the waste which is disposed at a designated dump site. All dust generated in the mill is trapped in dust trappers. The bags in which grain is delivered are reused for storage of the byproducts prior to sale, or sold back to the community.

On occasion, the property is fumigated for pests. The company ensures suitable and regulated chemicals are used. The chemicals are purchased as required and used immediately to fumigate the silos. The chemicals are not stored on site but there is a dedicated chemical storage facility if needed. The Hazardous Waste Management Regulation requires that an entity that stocks and uses agro-chemicals have an Emergency Procedure/Plan in place. Furthermore, these regulations require management to monitor contamination of the environment as a result of the stored materials.

The milling plant compressors generate noise that is within acceptable levels and are housed in an enclosed building. The sound noise level is below 85 db.

PS4: Community Health, Safety and Security

Security Arrangements:

Due to the site location which is in the middle of an industrial area in Kitwe and the nature of the operations, the potential for off-site impacts is limited. The mill will adopt the Chobe Safety Manual, which has safety policies and procedures including those related to dust explosions and appropriate emergency response procedures.

Security for the project is outsourced and the guards are unarmed. The guards will call on additional resources should it be required, along with the Zambian police.

The closest communities to the project site are 2.5 kilometer away and the accident risk to communities is limited.

F. Environmental Permitting Process and Community Engagement

The company made the audit available to the public for 60 days at their office in Kitwe. The Human Resources manager is available to listen to community concerns about the project.

G. Availability of Documentation

The above listed documentation is available electronically as PDF attachments to this ESRS at www.miga.org. It is also available for viewing at the following locations:

- MM office, Plot 5385 off Mutentemuko Road, Heavy Industrial Area, Kitwe, Zambia