



## **Environmental and Social Review Summary**

### **Turkmenistan Coca-Cola Bottlers**

*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:	Turkmenistan
Sector:	AMS
Project Enterprise:	Turkmenistan Coca-Cola Bottlers
Environmental Category:	B
Date ESRS Disclosed:	April 30, 2012
Status:	Due Diligence

#### **A. Project Description**

The project enterprise Turkmenistan Coca-Cola Bottlers (TCCB) has been supported by a MIGA guarantee since July 1, 1999. The original project involved an acquisition and overhaul of an existing soft drink bottling facility located in a light industrial area 5km east of Ashgabat, Turkmenistan. The bottling plant had been in operation since approximately 1984. The guarantee holder Coca-Cola Icecek A.S. (CCI), a Turkish corporation, is seeking an extension, increase and modification of the guarantee, which if approved will be subject to the application of MIGA's October 1<sup>st</sup> 2007 sustainability framework, including the Performance Standards on Social and Environmental Sustainability and the World Bank Group Environmental, Health and Safety Guidelines as outlined below. EBRD has provided a loan of USD \$20m to finance expansion of the project in the form of a new (third) production line.

The project's operations consist of producing and filling bottles for Coca-Cola brands, distributing in the Ashgabat region, and contracting with third party distributors for the rest of Turkmenistan. The project facilities consist of offices, a warehouse, production rooms, and other ancillary services. The core of the operations consists of three fully-automated production lines. Ancillary processes and facilities include warehousing, distribution, production of performs from PET pellets, water filtration, a natural gas-fired boiler room, production of carbon dioxide through the combustion of natural gas, on site waste storage, a diesel generator with fuel storage, a well, and a small repair shop. The main inputs in the production process are PET performs, labels, filtered water, beverage syrup, carbon dioxide, sugar, electricity, and natural gas. The main outputs are bottled beverages and wastewater, in addition to air emissions from the boiler room and generator. The site itself is owned by the State of Turkmenistan.

## **B. Environmental and Social Categorization**

The project is categorized B under MIGA's Policy on Social and Environmental Sustainability. Potential impacts are limited, few in number, generally site specific, largely reversible, and readily addressed through mitigation measures. Impacts are related to wastewater discharge, the health and safety of workers in the production and warehouse facilities and in distribution activities, the onsite storage of small amounts of fuel, air emissions, and disposal of fuel containers and other refuse. MIGA expects that the project enterprise will adequately manage the social and environmental risks that could arise.

## **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 and EHS Guidelines:

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

World Bank Group General EHS Guidelines

World Bank Group Industry Sector EHS Guidelines for Food and Beverage Processing

## **D. Key Documents and Scope of MIGA Review**

MIGA conducted a S&E due diligence and monitoring mission to the project site in October 2011 and met with project enterprise senior management and staff. In addition, the following documents were reviewed by MIGA:

- Environmental Policy
- Presentation on CSR Framework
- The Coca-Cola Company Audit and Corrective Action Plan 30.09-01.10.2009
- Emergency Plan
- Corrective Action Plan, Ministry of Nature Protection Audit 19-20.08.2010
- Health and Safety Policy
- Orders appointing responsible S&E personnel
- Information on permits obtained

## **E. Key Issues and Mitigation**

PS1: Social and Environmental Assessment and Management Systems

*Social and Environmental Assessment:*

Upon acquisition of the facility the predecessor to the current guarantee holder commissioned an independent environmental due diligence assessment of the site, which was reviewed by MIGA as part of the due diligence for the 1999 guarantee, and which resulted in changes and corrective actions undertaken by the project enterprise during the intervening 12 years leading up to this review.

*Management Program and Monitoring:*

There are a set of S&E policy documents in place. The project's social and environmental management system (SEMS) is ISO 14001 certified as required for operation in Turkmenistan, and OHSAS 18001 certified. The project is regularly audited by both the Ministry of Nature Protection (analogous to an Environmental Protection Agency) and The Coca-Cola Company (TCCC). The most recent TCCC audit identifies minor items that were resolved following the audit, with the exception of a minor documentation issue and the issue of wastewater treatment, discussed below. The government audit is conducted against parameters defined by Turkmenistan laws and regulations. There were no unresolved findings of non-compliance in the most recent government audit.

*Organizational Capacity and Training:*

S&E staffing and resources are adequate for an operation of this size and nature. The two production managers are jointly responsible for S&E management. Both CCI and TCCC provide complementary training programs for management and employees, including in the areas of health and safety and proper procedures relating to environmental management.

PS2: Labor and Working Conditions

The project has 360 employees with wages and benefits 10% higher than the country-wide standards. HR policies are in place although the project enterprise has plans to make them more formalized and systematic. A grievance mechanism for employees is in place. The main production processes are fully automated, thus the main worker safety issues relate to safety around the assembly lines and the ancillary facilities. The warehouse is well-organized and makes use of a small number of forklifts. Management reported that there have been no recent accidents or grievances.

PS3: Pollution Prevention and Abatement

There is no wastewater treatment system on the site and discharge of effluents (industrial process waters and sewage) is to the municipal sewer. There are no sewage treatment works in Ashgabat and discharge of raw effluents from the Ashgabat municipality occurs 27 km away in the desert. The lack of wastewater treatment on site is in compliance with Turkmenistan laws and regulations. However, MIGA will require treatment of wastewater in compliance with the Performance Standards and EHS Guidelines as a condition of the contract of guarantee. Wastewater treatment is also required by TCCC due to levels of biochemical oxygen demand (BOD) and high chemical oxygen demand (COD) in the effluent. Current plans for this

wastewater treatment plant involve a sequential batch reactor (SBR) system and neutralization with CO<sub>2</sub>.

There are several sources of air emissions on site: the three gas boilers, one of which is of new design and construction and the other two of which are older but well-maintained; the diesel generator; and the exhaust from the production of carbon dioxide from natural gas combustion. These are subject to government audit and are in compliance. The diesel fuel for the generator is stored with secondary containment. Small quantities of oil, industrial waste, scrap metal and spent oil containers are temporarily stored on site in inadequate facilities. The project enterprise plans to build dedicated oil and waste storage facilities on site and is contracting with third parties for removal of the waste. MIGA will require that these steps be taken as a condition of the contract of guarantee, and will require that steps be taken to identify and properly handle and dispose of PCBs or other hazardous materials. Water used in production is filtered on site and tested to ensure its quality multiple times per day.

#### PS4: Community Health, Safety & Security

The closest residential buildings are at least 500 meters away from the facility. The site is fenced to control access and security is provided by private unarmed guards. The project enterprise uses its own trucks for distribution within Ashgabat and contracts with third parties for distribution to other regions in Turkmenistan, who handle their own transport logistics. The project requires its own drivers and the third party companies to respect traffic laws.

#### **F. Environmental Permitting Process and Community Engagement**

The company's current permits remain valid. No additional S&E permitting is required as the project's operations are ongoing. Likewise, no community engagement process is mandated.

#### **G. Availability of Documentation**

Any queries and/or comments about the project may be directed to MIGA.

There are no attachments for this ESRS.