

Delta-Wilmar CIS Expansion

Environmental & Social Review Summary

This Environmental and Social Review Summary is prepared and distributed in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board of Director's decision. Board dates are estimates only. Any documentation which is attached to this Environmental and Social Review Summary has been prepared by the project sponsor and authorization has been given for public release. IFC has reviewed this documentation and considers that it is of adequate quality to be released to the public but does not endorse the content.

Project number	26271	Date ESRS disclosed	July 17, 2008
Country	Ukraine		
Sector	Agriculture and Forestry	Previous Events	Approved: October 23, 2008
Department	Agribusiness		
Company name	Delta-Wilmar CIS Ltd		
Environmental category	B		
Status	Pending Signing		

[View Summary of Proposed Investment \(SPI\), click here](#)

Overview	Category & Applicable Standards	Key Issues & Mitigation	Community Engagements	Client's Documentation
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Overview of IFC's scope of review

The environmental and social appraisal of this project consisted of reviewing technical, environmental, health, safety and social information submitted by the project sponsor and a field visit by IFC Social and Environmental Specialist in July 2008. The IFC Social and Environmental Specialist visited company's facility in Odessa, held meetings with the company's management team, technical staff and met with elected representatives from the nearby local community on Novye Bilyary.

Project description

The proposed IFC investment entails financing of expansion of an existing 1,500 metric ton per day crude palm oil refinery and shortening manufacturing facility. The project is located in the town of Yuzhny in the Odessa region of Ukraine. The facility is currently refining crude palm oil (CPO) which is imported from Malaysia and Indonesia and producing refined oil and shortening to serve the Ukrainian, Russian and other CIS markets. The expansion entails constructing new facilities that will double current refining capacity of the Company including installation of additional oil storage tanks, refinery, warehouses, fractionation and hydrogenation facility, water treatment plant, and other supporting installations. The project will help the Company to expand its production volume and the range of its products as well as the flexibility of refining facility to process CPO or other crude oil materials. All expansion facilities are to be constructed on the Company's existing property and no new land will be acquired for this project.

Identified applicable performance standards

While all IFC's Performance Standards on Social and Environmental Sustainability are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS 1: Social and Environmental Assessment and Management Systems
- PS 2: Labor and Working Conditions
- PS 3: Pollution Prevention and Abatement
- PS 4: Community Health, Safety and Security

The findings of the project review indicate that there are no impacts related to Land Acquisition and Involuntary Resettlement (PS5), Biodiversity Conservation and Sustainable Natural Resources Management (PS6), Indigenous Peoples (PS 7), and Cultural Heritage (PS8).

Environmental and social categorization and rationale

This is a Category B project according to IFC's Procedure for Environmental and Social Review of Projects because a limited number of specific environmental and social impacts may result which can be avoided or mitigated by adhering to the applicable IFC Performance Standards, relevant guidelines and design criteria.

Environmental and social issues associated with this project include:

- environmental and social management systems;
- occupational health and safety management, including job hazard analyses, housekeeping, emergency response, employee training, etc.;
- labor and working conditions;
- supply chain management and EHS practices of contractors and suppliers;
- resource consumption, use of materials, reuse/recycling;
- air emissions from production processes;
- use, treatment and discharge of process wastewater;
- sustainable management of process solid waste;
- management of hazardous materials and wastes;
- community engagement and development.

Mitigation measures for the potential environmental and social impacts have been identified and described below. The company has committed the resources to implement comprehensive environmental, health, safety and quality management systems consistent with IFC's Performance Standards.

This is IFC's second project with Delta-Wilmar CIS. The company's environmental and social performance during its previous project with IFC (#24644) initiated in 2006 was satisfactory and matched IFC's expectations for managing EHS issues and implementation of the Environmental and Social Action Plan (ESAP) that had been agreed with IFC. During the period between 2006 and 2008 the company has demonstrated proactive development and implementation of the environmental and social management system (ESMS) and timely completion of actions in the ESAP.

Key environmental and social issues and mitigation

Key environmental and social issues relating to the project are summarized below along with specific information about how potential impacts will be addressed by the company. The company is currently in compliance with the Ukrainian environmental, health and safety, and labor laws and IFC requirements. The implementation of the environmental and social risk mitigation measured described below will assure the expansion project's compliance with various environmental and social requirements, namely the law and regulations of Ukraine, IFC's Policy and Performance Standards on Social and Environmental Sustainability and applicable IFC environment, health and safety guidelines.

- Supply chain considerations:

Appraisal of the investment considered the environmental and social risks associated with the CPO supply chain. Due to the current logistics of the palm oil commodity market and the nature of the manner in which it is traded, genuine traceability of the oil back to individual plantations is difficult: fruit is crushed in a countless number of mills and the palm oil transported to shared port tanks before being exported in vessels loaded

from several tanks and commonly in several ports before the cargo is discharged into common bulk storage from where it is distributed to consumers and possible further blending with existing stocks.

Delta-Wilmar sources a small percentage of its crude palm oil from plantations belonging to the Wilmar Group. Wilmar is an active member of the Roundtable on Sustainable Palm Oil (RSPO), an industry-led association collaborating with civil society groups in an effort to promote the adoption of sustainable practices throughout the supply chain. Wilmar is working closely with the RSPO to promote the certification for sustainable production as well as to address the traceability question. Wilmar is committed to RSPO Principles and Criteria for Sustainable Palm Oil Production. Consistent with these Principles and Criteria, Wilmar is committed to implement the principles recommended by the RSPO on its own palm oil plantations and to address supply chain issues for CPO sources that it does not control through development and promulgation of a Code of Conduct, and to create awareness among suppliers of the need for sustainable production of palm oil through education and training. IFC has recommended that Wilmar further strengthen its environmental and social management systems to support these initiatives.

- PS1 Social and Environmental Assessment and Management System:

Land and natural environment:

The refinery is situated in an existing industrial zone adjacent to the Yuzhny Port. The site, which was purchased by LLC Delta Wilmar from Odessa Port Plant in a willing-buyer-willing-seller transaction in 2004, is situated on a 8.16 ha plot adjacent to the Yuzhny Port, a subset of Odessa Port Plant (OPZ) operation and within the Odessa Port Plant industrial zone, which was created in 1997. The plot on which the refinery is situated previously hosted a defunct cement plant that was dismantled prior to the start of refinery materials storage tank construction. The site has an irregular, elongated form and is bounded on the south by OPZ Ammonia Production plant (OPZ); on the east by a vacant lot currently used for vehicle parking and slated in the offing for construction of a petroleum refinery and further on Pier No. 4; on the north by Yuzhnaya Street leading to Novye Belyary community and a closed cemetery; on the west by a former motor transport area of Joint-stock company Chernomorgidrostroy that is currently employed for storage and repair of building equipment, and storage buildings, mechanical and repair workshops belonging to BU-17 and OBU-532 construction companies. The expansion project will be undertaken within the existing company's land and will not involve acquisition or lease of additional land.

Raw materials for refinery operations and finished goods are transferred to and from tankers in the Black Sea by an offshore jetty situated on Pier N. 4 of the Yuzhny Port installation and an adjacent company's pontoon. From the jetty all materials are transported through a 2.2 Km pipeline to the refinery site.

Environmental and social assessment:

Facility design follows internationally recognized good practices and incorporates the technology required to avoid, minimize or mitigate possible negative impacts. An ESIA has been developed by qualified independent consultants "YuzhNIIMF" and "Ekostroy" and submitted for approval to the local authorities. A number of permits from the local authorities have been received for operation of the facility and implementation of the expansion project, including state expert opinions on emissions, health and safety, workplace conditions, emergency response, fire protection, energy conservation, safety of navigation. The cumulative environmental impacts of the project and its expansion have been estimated and mitigation measures have been developed including the upgrades of Company's existing facilities such as waste water treatment plant in order to make them sufficient for the new levels of impacts. Relevant documentation has been submitted to the local authorities for obtaining permits for air emissions, liquid effluent and solid waste disposal.

Environmental and social management system:

The company has developed an environmental and social management system that covers the existing project and any future expansion. The ESMS has undergone independent audits for conformance with international certification requirements for ISO 9001 and ISO 22000 and audit results have been submitted for international certification. The ISO 9001 and ISO 22000 certifications are expected to be obtained in July 2008. As part of the latter certification, the company is working on developing its food safety management system and obtaining an international Hazard Analysis and Critical Control Points (HACCP) certification for the facility.

Environmental and social management and organization:

The Health, Safety and Environmental Department is responsible for developing and implementing the ESMS. It is staffed with specialists in workplace safety, ecology, fire protection, sanitation, and emergency response. The department guiding the implementation of ESMS and individual managers of the production department are responsible for the implementation of the ESMS, training and reporting. The company's on-site laboratory provides routine measurement of the quality of drinking water, liquid effluent, raw materials and products.

Training, monitoring, and reporting:

An initial training on health safety, emergency response and environmental protection is given to all new employees. Routine training is undertaken in each production department on a monthly basis as well as additional training in the case of new equipment or production procedures. All employees also have to pass an environment, health and safety test and undergo certification by the Ukrainian authorities on an annual basis, while all managers undergo in-depth EHS training, testing and certification by the authorities every three years. The Company reports its environmental monitoring data to the local authorities on a quarterly and annual basis including the amount of waste generated, liquid effluent, air emissions and workplace conditions.

- PS2 Labor and Working Conditions:

Human resources policy and management:

The company is in compliance with the Ukrainian labor laws and in material compliance with IFC's Performance Standard 2. All new hires receive an introduction to the company's human resources policies and receive an HR Manual in addition to the company's Internal Rules and the Terms of Reference that include contractual obligations and are signed by the company's director. The HR department is responsible for selecting, recruiting, training, performance evaluation and promotions as well as for receiving and coordinating resolution of employee's grievances.

Employment terms and benefits:

The company currently employs about 300 permanent staff. All workers receive standard benefits mandated by the Ukrainian law. The level of wages in the company is overall higher than in comparable sectors in the region. In addition, the company provides a number of additional benefits, such as free food, free transportation and free health and life insurance, which are significant positive incentives for employees.

Collective agreement:

A collective agreement between the company and its workers, who were represented by a representative elected in a general meeting of all employees, was signed in 2006 for a three-year term. According to Ukrainian law, the company may review the terms and amend the document following employees' demand. The company indicated that currently there are no demands to amend the plan, but the company may review and revise the agreement in a due course to reflect the labor market situation and expanded project operations.

Working conditions:

Working conditions are routinely monitored by the company and state inspections are occasionally undertaken by the local state authorities. All working shifts complete a safety journal and workplace assessments at the start and end of the shift. All deviations from normal practices are recorded and analyzed by the Health, Safety and Environmental Department. If a serious accident occurs, a root cause analysis is undertaken by the Department jointly with the state authorities. Additional training and possibly a review of existing procedures or equipment may be mandated based on the outcomes of the investigation.

Retrenchment:

Currently, no retrenchment is planned by the company and an increase in the number of personnel is expected with the development of the expansion project. About 300 new employees are expected to be hired for operating company's new facilities in the future. The natural attrition is mostly due to personal reasons of employees as the company is considered an attractive employee due to additional benefits that it provides to the employees, which is not usual in the region.

Occupational Health and Safety (OHS):

The company maintains a high level of OHS awareness among its employees. Personal protective equipment is used on site and emergency response personal protection equipment is stored in the production facilities. OHS practices and procedures are monitored by the local OHS department and state inspections are undertaken routinely with the recommendations being issued on their results and implemented by the company's OHS staff.

All new employees receive initial general OHS training by the HR department which is followed by a departmental OHS training conducted by operational department manager. All employees attend routine monthly OHS briefings as well as occasional additional focused OHS training for new equipment, procedures, or in the case of a serious incident in the company. The OHS commission is established with participation of OHS staff and the company's management which is tasked with planning, review, and implementation of the OHS training program and conducts testing of employees' OHS knowledge. In addition, every employee must take an annual safety test and obtain safety certification with the local workplace safety authorities. All managers undergo similar in-depth test and certification by the authorities every three years. The company has recently completed an OHS audit of its facilities and installations and will obtain a hazard attestation for each workplace.

Grievances mechanism:

A grievance mechanism is established for all employees. The HR manager is the first point of contact for expressing grievances and is responsible for coordinating the resolution. A permanent Grievance Committee is formed for resolving grievances and responding to employees. All employees also have recourse, according to the Ukrainian labor laws, via court to reverse the company's decisions.

Employee motivation:

Apart from financial and other incentives the company's HR and operational departments develop various programs for motivation of employees and improving their overall technical qualification and teamwork. As a part of the ongoing learning program, selected employees conduct study tours to facilities of Wilmar Group in Malaysia, Indonesia, Singapore and other locations. The HR department periodically conducts teambuilding exercises, employees' picnics and football tournaments to bring together employees from various departments and building successful working relationships. The Best Employee Appreciation Program selects the best employees on a monthly basis which is presented with rewards by company's management during the company's general meeting.

PS3: Pollution Prevention and Abatement:

Environmental compliance:

The company is compliant with the local environmental requirements; its environmental staff estimates the yearly amounts of wastes from its operations and annually obtains permits from the local authorities. Discharges of liquid effluent and the removal of solid and hazardous wastes are undertaken by certified contractors and are regulated by corresponding contracts.

Hazardous materials:

The company routinely stores about 170 tons of phosphoric acid, 50 tons of caustic soda liquid, 70 tons of citric acid and diatomaceous earth, the materials that are commonly used in the refining process. Acid and alkali raw materials are stored in a tank farm that is fully equipped with secondary containment for each storage vessel. Spillage from the tank farm can be contained and once re-contained, any resulting waste fluids may be routed through local oil-water separators then to the on-site wastewater treatment facility. Diatomaceous earth is shipped to the site in storage bags of 50 kilos and stored in the materials warehouse. Bag opening and material transport to filtration systems is closed and completely mechanical thus reducing potential exposure of employees to silica from the diatomaceous earth. All other remaining materials required for refinery operations are being stored in the on-site warehouse in accordance with Ukrainian regulatory and international good practice requirements.

Emergency preparedness and response:

The company has developed an Emergency Response Plan that has been submitted and authorized by the local emergency response authorities. The plan covers all company's installations, oil pipeline and the pier as well as sea vessels. The company provides necessary training to all employees on emergency response and conducts periodic emergency drills for all employees. The company also coordinates its emergency preparedness plans with the local Emergency Response Department and other industrial enterprises located in vicinity of Port Yuzhny.

Solid wastes:

Solid wastes from construction and domestic solid waste are removed by independent certified contractor "RAF+" to licensed locations in accordance with signed contract for waste removal and disposal. Solid wastes from refinery operations, consist primarily of waste filtrate consisting of diatomaceous earth, activated carbon and bentonite clay (9.5 tons/day), are stored in an onsite warehouse awaiting transport to cement plants in accordance to a similar waste removal and disposal contract. At the cement plants, collected refinery solid wastes is blended with other raw materials and processed in high temperature cement kilns.

Recycling:

Recyclable waste, mainly plastic and carton, is sold to and removed by recycling companies "Vtorma-Yug" and "Tsentr-Agroprom" on a commercial basis and is sent for processing on their recycling facilities in Odessa.

Air emissions:

The refinery boiler, which is the main source of air emissions from the refinery, is fired by natural gas provided to the facility through an existing state-owned pipeline from the Port Industrial Zone. Sweet gas quality is high and air emissions from the boiler complies with Ukrainian regulatory and IFC guidelines limits for air emissions. The quality of ambient air is monitored quarterly "YuzhNIIMF" to confirm the compliance with local regulations.

Liquid effluent:

Liquid effluents from refinery operations include sanitary wastewater, industrial process wastewater and storm water and amounts to about one thousand cubic meters per day. Sanitary wastewater is transferred by a pipeline to the nearby Odessa Portovy Zavod (OPZ) for further treatment in its waste water treatment facilities. Collected storm water and industrial process wastewater including reverse osmosis brine reject from boiler water treatment is treated at the company's wastewater treatment plant with gravity oil water separators, dissolved air flotation and other unit processes adequate to meet the requirements for disposal into the deep waters of the Black Sea. After treatment, the treated water that meets the requirements for disposal is transported by the pipeline to the OPZ waste water system and then to the marine disposal point. The company conducts daily sampling and analysis of its treated water, together with OPZ staff and the local regulatory authorities, to confirm the water quality before transferring it to the OPZ wastewater system. Prior to discharge through a 7.5 km long discharge pipeline to deeper water of the Black Sea, collected wastewater is sampled and analyzed by Yuzhny Port and Black Sea Sanitation Authority for acceptability. Periodic monitoring of the water quality of the nearby part of Black Sea is routinely undertaken by the Black Sea Sanitation Authority.

Energy efficiency

The company periodically undertakes energy efficiency audits which are mandatory according to the Ukrainian laws and implements energy conservation measures that are recommended as a result of these audits. The company has developed an Energy Efficiency Balance to increase the efficiency of its energy use.

- PS4 Community Health, Safety and Security:

Community health, safety and security:

The closest community, the village of Novye Bilyary, is located beyond the Company's sanitary protective zone, outside of transportation and access routes to the refinery, and there are no direct impacts on this community from the Company's day-to-day operations.

Community emergency preparedness and response:

The company provides information on its Emergency Response Plan, which is approved by and communicated to the local emergency response authorities, and discusses the measures and actions required by the Plan during the local community during periodic public meetings in the village of Novye Bilyary.

Security personnel:

The company employs its own security personnel of about 30 people who man the company's gates and installations. The company's security staff is unarmed and undergoes necessary training in security procedures developed for the company's operations.

Client's community engagement

Public disclosure and community relations:

The company has established a dialogue with the local community in Novye Bilyary by periodic discussions with the community leaders and public meetings with the community. The company has developed a Community Engagement Plan for 2008 that includes monthly public meetings with company's representatives and information brief and discussions on the following topics: company's activities and production processes, environmental protection and health, and community and social activities that are planned and undertaken by the company jointly with the local community. In addition, the company benefits from a significant number of local residents being employed in the refinery and informal information flow between the company and the nearby community.

Community development activities:

To further benefit local communities Wilmar will continue its contributions to local community development beyond the employment generation and tax revenues by making direct investments in the community. The company has developed a Community Development Plan for 2006–2010 that includes a number of programs in Novye Bilyary such as providing financial support to a local school, landscaping of the territory of the village, providing clothes and fuels to the vulnerable categories of population of the village, monitoring of health of children as well as periodic social events in the community that are planned and conducted together with the community.

Local access of project documentation

General information concerning the company's environmental, health and safety performance, including ESIA's for the various components of the project, as well as the copy of the IFC's Environmental and Social Review Summary in the Russian and Ukrainian languages, is available and can be obtained for review from:

Mr. S. Anantha Raman
6 Industrialna Str.,
Yuzhne, Odessa Oblast,
65481, Ukraine

E-mail: ananth@deltawilmar.com
Phone: + 38 0 50333 6742
Fax: + 38 048 734 6479