

OFFICIAL USE

MONITORING ASSESSMENT SUMMARY REPORT

FEBRUARY 2016

OFFICIAL USE

MONITORING ASSESSMENT SUMMARY REPORT

ASSESSMENT SUBJECT: MHP GROUP

European Bank for Reconstruction and Development

Type of document (version)
Confidential

Project no: 141-00000-00

Date: February 2016

WSP | Parsons Brinckerhoff

The Victoria
150 - 182 The Quays
Greater Manchester
M50 3SP

Tel: +44(0)161 886 2400

Fax: +44 (0)161 886 2402

www.wspgroup.com

www.pbworld.com

1

WHEN WAS THE ASSESSMENT CARRIED OUT?

1.1 THE MONITORING ASSIGNMENT

WSP | Parsons Brinckerhoff (WSP | PB) undertook an independent environmental, health, safety and social (EHSS) monitoring assessment of MHP Group, on behalf of the European Bank for Reconstruction and Development (the EBRD). The assessment was undertaken in country from 16th – 20th November. Monitoring assignments are an important aspect of the EBRD's project implementation process and seek to ensure that applicable EHSS requirements and standards are complied with and that previously identified impacts are being managed effectively. Recently, the group has been subject of a number of concerns from civil society organisations (CSOs), which are discussed under section 3.

2

WHAT DID THE ASSESSMENT COVER?

2.1 OBJECTIVES

The aims of the monitoring visit were to:

1. Review MHP Group's implementation of the agreed plans as part of the first investment project in 2010;
2. Undertake a critical review of the current activities associated with the themes raised as concerns by the CSOs / NGOs and local people.

2.2 SCOPE OF THE ASSESSMENT

In order to undertake a comprehensive review and generate informed conclusions and recommendations, the scope of the monitoring assessment was agreed as follows:

- Review of relevant and available documentation including previous assessment reports and outputs (e.g. ESAP and SEP), monitoring reports, letters of complaints and fact finding reports;
- Review of MHP Group's policies, procedures and implementation on selected sites (LLC Vinnysia Poultry Farm and Cherkasy) ;
- Meetings with relevant management at the MHP Group's headquarters in Kiev and at several enterprise sites;
- Meet with representatives from the affected communities;
- Benchmark performance against the relevant compliant areas and the appropriate EU regulations / standards;
- Provide a critical review of NGO and local community concerns associated with MHP Group operations.

The WSP | Parsons Brinckerhoff team were also joined by a Senior Environmental Adviser from the EBRD. The team attended a meeting with the NGO, National Ecology Centre of Ukraine (NECU) and also held discussions with several representatives from communities local to the Peremoga Nova and Vinnystia enterprises. Several MHP personnel across different office locations and enterprises were interviewed as part of the assessment. Details of the sites visited are below:

Table 1 Summary details of the site visit

Site	Activities carried out on site	Details of audit focus	Roles of personnel interviewed
Kiev Headquarters	Corporate Management	Corporate level discussions related to environmental, health, safety and social management and performance.	Deputy CEO
			Head of Investor Relations and Communications Department
			Chief Health and Safety Specialist
			Head of HR department
			Chief Ecologist
Peremoga Nova	Breeding facility, currently 9 sites (Brigades) are operational, each with 6-8 poultry houses on site	On site discussions, review of activities and any grievances / complaints received. Site visit to the social centre, manure storage and recently acquired land ahead of commencing construction works. Community meetings.	Director of Peremoga Nova
Vinnystia	The Vinnystia Poultry farm activities include: → Hatchery; → Poultry house complex; → Rearing zones; → Processing (slaughter and processing and manufacturing poultry meats); → Accommodation and social centre; → Ancillary facilities e.g. waste water treatment and rendering plant.	Meetings and site visits to the fodder plant, hatchery, rearing facility, slaughterhouse and wastewater treatment plant. Community meetings.	Hatchery:
			Director of Vinnystia Rearing Branch
			Chief manager of the hatchery
			Deputy Director of social development and HR.
			Head of OHS Department
			Rearing Zone:
			Deputy Director of Vinnystia Poultry Farm

			Chief Veterinary Officer
			Construction Branch:
			Director
			Slaughterhouse:
			Director
			Ecologist
Zernoproduct	<p>Focused on arable farming (although some pastoral farming is undertaken), cultivating grains of wheat, barley, corn and oil crops such as sunflower and soybean. Total land leased by the enterprise is approximately 91,000 hectares. Grain stores are also in operation. Zernoproduct owns agricultural.</p>	<p>Meetings and site visit at the machinery park and maintenance area, manure storage.</p>	<p>Director</p> <p>Chief of OHS and Environmental Protection Department</p>

3

WHAT ARE THE CONCERNS PRESENTED BY THE CIVIL SOCIETY ORGANISATIONS?

3.1 KEY THEMES

In recent times MHP Group has received a number of complaints and concerns from NGOs and CSOs. In particular the following themes have been raised:

- **Access to information** – it has been reported by the CSOs, that MHP group has been unwilling to provide adequate information to both local people and the CSO community and has also been unwilling to discuss critical issues and concerns. This issue is in particular in the context of legal requirements for public consultation on local environmental impact assessments (EIAs), also referred to as OVNS;
- **Land acquisition** – MHP Group has been accused of pressuring local people to lease their lands to allow for the expansion of MHP Group facilities, particularly at LLC Vinnytsia Poultry Farm;
- **Odour** – impacts associated with manure stockpiles and spreading;
- **Traffic** – nuisance related impacts associated with traffic movements;
- **Health** – concerns regarding health impacts as a result of poultry farming activities;
- **Water resources** – impacts associated with water quality and availability resulting as a result of MHP Group's activities;
- **Labour management** – in particular associated with prison labour employed at the Vinnystia slaughterhouse; and
- **Ukrainian Government Moratorium on EHS inspections.**

Therefore, the main focus of this Monitoring Assessment was focused on the concerns raised by these CSO Stakeholder Groups.

4

WHAT ARE THE FINDINGS FROM THE ASSESSMENT?

4.1 INFORMATION DISCLOSURE

SUMMARY OF KEY CONCERNS

The following points were considered to be the key areas of concern under this theme:

- OVNS assessments not being made publically available;
- Non-technical summaries of the OVNS are not being made available;
- Denied access to information following formal requests;
- No invitation received for the public hearings organised by the state;
- Poor relationship with MHP CEO and other employees (specifically at enterprise level); and
- Removal of NGOs from the SEP.

ASSESSMENT FINDINGS

From a review of the OVNS assessment and public hearing process it was demonstrated that MHP is operating within accordance with Ukrainian legislation. However, there is the potential for improvement in the provision of publically available information, and meaningful public participation, which goes beyond the requirements of the regulatory regime.

Although the EBRD's Environmental and Social Policy required compliance with local legislation, the requirements for stakeholder consultation and information disclosure detailed within the EBRD policy goes beyond Ukrainian requirements. The EBRD requires:

- Public disclosure of appropriate information;
- Meaningful consultation with stakeholders; and
- An effective procedure or mechanism by which people can make comments or raise grievances.

Following the on-site interviews, it is evident that the foundation of this requirement is in place, and that MHP Group are willing and proactive with regards to engagement and consultation. However, additional effort needs to be made with regards to appropriate information disclosure, transparency of information and also ensuring grievances are responded to and managed appropriately, including any grievances which are not formally submitted using the company's Grievance Form . Recommendations have been proposed in order to improve performance with regards to transparent and meaningful stakeholder engagement and consultation.

4.2 LAND OWNERSHIP AND ACQUISITION

SUMMARY OF KEY CONCERNS

The following points were considered to be the key areas of concern under this theme:

- Perception that the land use classification had been changed by MHP following the land lease agreements;
- Lack of transparency;
- MHP commencing construction activities without informing land owners and the communities; and
- Pressure on land owners to sign lease agreements.

ASSESSMENT FINDINGS

Procedures are in place for the acquisition of land for MHP activities. However, following a series of common themes in the comments provided by both the local communities and NGOs, regarding transparency of information and also complaints regarding changes in land use activities, MHP could benefit from a formal, documented Land Acquisition Framework.

A series of recommendations have been proposed in order to improve this process. These are discussed in section 5, below.

4.3 WATER QUALITY AND AVAILABILITY

SUMMARY OF KEY CONCERNS

The following points were considered to be the key areas of concern under this theme:

- Water availability due to cumulative impacts of MHP activities and other local facilities with a high water demand;
- The quality of the water discharged to surface water; and
- Monitoring results were reportedly requested from MHP by stakeholders, however these were not obtained.

ASSESSMENT FINDINGS

The OVNS which have been developed for existing and proposed projects detail the water consumption and waste water generation associated with the activities. However, the assessments of potential impacts are not considered to be fully robust within the OVNS, in particular in relation to cumulative impacts across a whole farm scale development. The water for the Vinnystia farm is drawn from a major local river. While it is considered that due to the flow volumes within this source, there is unlikely to be an issue relating to sustainable water yield, no specific assessments are currently available to demonstrate this. However, it is noted that abstraction levels are within legally permitted levels from the authority issuing the water abstraction permits.

Following a review of water monitoring results and the process by which waste water is treated at the Vinnystia site, it is considered the waste water treatment arrangements are excellent, and are aligned with EU level Best Available Techniques, as well as being in compliance with the Ukrainian requirements.

A series of recommendations have been proposed in order to improve this process. These are discussed in section 5 below.

4.4 MANURE MANAGEMENT

SUMMARY OF KEY CONCERNS

The following points were considered to be the key areas of concern under this theme:

- Storage and spreading of manure potentially impacting community health;
 - Leaching of nitrogen and phosphorus impacting human health;
 - Impact on air quality
- Sources of odour caused during manure transportation, storage and land spreading practices;
- Vehicle movements as a source of nuisance in local communities as well as causing damage to properties as a result of an increase in vibration;
- Illegal dumping of waste in fields not leased by MHP; and
- Dumping and spreading of manure for the purposes of waste management.

ASSESSMENT FINDINGS

Following on-site discussions and the site visit to the manure storage facility, it was ascertained that the manure management practices were well established within MHP. A field passport is developed for each field, as well as a manure spreading plan, based on the nutrient profile of the soil and the manure requirements for an appropriate manure application rate is determined and implemented. Effort is made to minimise impacts from odour as a result of spreading and storage activities, through locating storage facilities away from sensitive receptors, taking into consideration prevailing wind directions, as well as incorporation of manure in a timely manner following spreading.

During the site visit, the concern regarding the damage to property caused by truck movement could not be proven or disproven due to the circumstances of the visit.

MHP perceive manure as an asset and therefore spreading manure unnecessarily as a method of waste disposal would not constitute standard practice and would be a waste of a valued company resource. This activity was not observed during the site visit, nor was it reported as a technique employed by MHP during discussions.

Following a review of BAT requirements, it was established that MHP's arrangements are generally in alignment with current BAT standards. The BAT guidance does allow for temporary storage of manure in fields. The techniques employed by MHP with regards to temporary field heaps were found to be aligned with EU standards.

The EU best practice standards have recently been updated. Following this update and the addition of some further requirements, MHP will likely be required to upgrade their storage sites / techniques to ensure these are continued to be aligned with BAT. These include covering permanent manure in storage and also compaction. In an EU context, there would be a reasonable transitional period allowed for a company to become aligned with these new standards (e.g. up to 4 years), following the approval and finalisation of these updated guidelines. This would also further reduce the potential odour impacts from storage of manure.

In relation to health related concerns, during manure application processes, there is considered to be a low likelihood of health related risks, especially considering the short application timescales and the fast incorporation techniques employed by the company. Good incorporation techniques have been developed, as described within the EU 'BAT' Best Practice document, to reduce exposure and therefore minimising health related risks. The best practice methods, defined with the BAT guidelines (which were found to be adopted by MHP), have been designed with the aim to avoid / minimise any potential for negative health impacts associated with the storage, application and use of manure. The assessment found that MHP employ good practice arrangements; and if these are maintained then the presence of significant risks associated with the storage and handling of manure would be highly unlikely.

A series of recommendations have been proposed. These are discussed below.

4.5 PRISON LABOUR

SUMMARY OF KEY CONCERNS

The following points were considered to be the key areas of concern under this theme:

- Prisoners are subject to forced labour, and are conducting work that locals were unwilling to do.

ASSESSMENT FINDINGS

The social programme implemented by MHP group is dedicated to the development of the prisoners and aimed at building future employability of the prisoners. It was reported that the introduction of the prison workforce was for this purpose rather than to fill positions that could not be filled by the locals. The employment terms are reportedly aligned with the rest of the work force, with the prisoners receiving 100% of their salary paid via the prison. Individuals apply for the work. A character reference must be provided and approved prior to commencing employment.

5

WHAT ARE THE OUTCOMES AND RECOMMENDATIONS?

Following the interview and site observations, a series of recommendations have been proposed in order to improve MHP Group's environmental and social performance. The recommendations are aimed at aligned MHP with EBRD's requirements, EU best practices and also aimed at enhancing communications and relationships between MHP Group, CSOs and local communities.

5.1 INFORMATION DISCLOSURE

Areas for improvement with regards to consultation and information disclosure include:

- Tailored information on when public consultations will take place, in particular considering different stakeholder groups as recommended below, and continuing to provide adequate advanced warning of these sessions;
- Provision of transport or other means to ensure that anyone interested would have ease of access to the sessions;
- Ensuring that the Stakeholder Engagement Plans which have been produced on a local business level, are locally owned by senior management and their requirements are robustly implemented;
- More formalised systems to provide advanced opportunity for any stakeholders to become familiar with the OVNS material; and
- Opportunity for the provision of focus group sessions; to address concerns of specific groups; to provide private focus and address issues of any vulnerable groups, to ensure that the views of all stakeholders are not obtained.

5.2 LAND ACQUISITION AND OWNERSHIP

The above recommendations will enhance this process, however further specific recommendations are proposed. Following the review, it was determined that land acquisition process are required to be more transparent. In order to achieve this, the following recommendations have been proposed:

- Updating of the documented land acquisition framework, to be specifically aligned with the EBRD standards, in particular Performance Requirement (PR)5, which is adopted at enterprise level, where required. This will formally set out communication, engagement and disclosure requirements;
- Preparation of a community disclosure package, providing a summary of the acquisition process, which will be adopted consistently for all acquisition activities;
- Implementation of engagement plans, which will identify all interested parties and will programme transparent and meaningful consultation with all stakeholders;
- Consideration of all feasible alternative locations; and
- Development of management and monitoring plans where resettlement is required to ensure a consistent and fair approach throughout the Group and the communities.

5.3 WATER QUALITY AND AVAILABILITY

Although water quality for the Vinnystia region has been identified as a minor risk, communications regarding this could be improved. Findings associated with water availability have determined that further studies are required in order to discount, or appropriately manage, water availability concerns. The following recommendations have been proposed:

- Undertake a robust assessment of water availability and sustainable yields across the Vinnystia region, this should take into consideration all enterprise facilities and the cumulative effects on water consumption;
- Ensure robust assessments of cumulative water impacts for all expansion projects;
- Communicate the findings from these calculations in a non-technical summary; and
- Regular communication of monitoring results in a non-technical way.

5.4 MANURE MANAGEMENT

Generally it was considered that the manure management practices were of a high standard and generally aligned with best practice standards. Some areas for improvement have been proposed:

- Review the changes to the EU best practice standards and plan for the implementation of these – this includes covering manure heaps at the permanent manure storage locations;
- Issue a communication to interested parties regarding alignment with best practice standards, in a non-technical style'
- Enforcement of the use of dedicated transport routes designed to minimise nuisance, including the use of all bypass roads where present and following construction.

5.5 CONCLUDING SUMMARY

This independent assessment of focussed environmental and social themes has been conducted in order to understand MHP's environmental and social performance following financing projects with the EBRD.

The overall impression is that MHP is willing and prepared to discuss the ways in which it can improve its environmental and social performance. It was found that although MHP's performance is aligned with the national legislation, it was considered that additional focused programmes and actions will improve alignment with the EBRD PRs as well as to enhance relationships between the Group, NGOs and the local communities.

Several recommendations have been proposed with the aim to enhance the Group's performance as well as to provide the foundations to build relationships with national and regional stakeholders.