

ENVIRONMENTAL & SOCIAL AUDIT AND ASSESSMENT REPORT

NON-TECHNICAL SUMMARY

JSC Kokhavian Paper Fabric

*located at Konovaltsia Str. 6, Hnizdychiv UTV, Zhydachiv district,
Lviv oblast, Ukraine*



Intended for: European Bank for Reconstruction and Development (EBRD)

Prepared by: The Center for Environmental Consulting and Auditing (CECA)

Kyiv-2020

PROJECT DESCRIPTION

Company description

Kokhavian Paper Fabric is the 2nd largest base paper producer (30% share) in Ukraine. It is located in the Western Ukraine, in the western part of Hnizdychiv urban type village (UTV) on the right bank of the Stryi River. The company is registered at the address: Konovaltsia Str. 6, Hnizdychiv UTV, Zhydachiv district, Lviv oblast, Ukraine, 81740.

KPF produces budget segment tissue products (napkins, paper towels in sheets V-V, ZZ, toilet paper) made out of waste paper and the new investment will target the higher price segment using cellulose base paper, which will nearly double production capacity and will make the Company better positioned to respond to shifting consumer preferences toward higher grade tissue products, of which c. 30% may be exported. On the national market of the toilet paper and sanitary product the KPF is presented by the trademarks of “Kokhavynka” and “Mildi”.

Project Rationale and Brief Description

The company is intended to enlarge and diversify its operation with use of wood cellulose fiber for paper products. For this purpose, it is planned to build a new production facility adjacent to the current production facilities designated for processing the waste paper.

Currently the project document is in the process of development. The most significant environmental impacts of pulp and paper mills will depend on type of technologies applied.

For the purpose of the rational water use at new facility, a closed loop water system with an additional filter for mechanical purification of clarified water from the flotation plant will be installed. It is planned a secondary use of treated wastewater for the production process at existing facility for mixing waste paper. It may reduce fresh water consumption and, reportedly, will allow to leave the technical water intake and wastewater discharge at the current level. The discharge of wastewater from WWTP is projected to the settling ponds. The issue of WWTP capacity to treat an additional amount of wastewater from new facility, further use of the settling ponds, their arrangement and capacity required to receive increased amount of discharged wastewater remains open and will be addressed in the process of updated EIA elaboration (comprising EIA for the settling ponds arrangement).

Reportedly, since cellulose is a pure semi-finished product, the generated sewage will not contain easily oxidative starches, as well as fine fiber and other organic contaminants. The volumes of generated solid wastes will be low but this information will be verified in the process of updated EIA elaboration depending on the type of applied technologies. Information on steam use and electricity consumption is not finalized yet. The Company implements some of the energy conservation measures, use of alternative sources of energy and utilization of the fiber sludge were presented in the Energy audit report.

Pulp and paper mills pose risks to human health due to the chemical hazards, physical hazards, wood dust, biological agents, heat, confined spaces, noise and radiation. The Company received the recommendations re measures to prevent, minimize, and control potential worker health and safety will be considered in the process of the commissioning a new production facility.

New Project was analysed in accordance to environmental impact assessment (EIA) with associated public consultation and information disclosure in accordance with national legal and

permitting requirements. The updated EIA, which will include the modernisation of existing objects, is in the process of development.

Compliance with relevant environmental and social laws

The project for launching a new type of operation with use of wood cellulose fiber for paper products may be regarded as belonging to the 1st or 2nd category depending on its production capacity.

With initiation of a new project aiming at the diversification of site operation to use of wood cellulose fiber for paper products the elaboration of EIA is required. The Company will develop a comprehensive Project document along with the updated EIA report which would cover already operational production facility with all carried out modernizations and associated infrastructural facilities (settling ponds, water supply and wastewater discharge systems).

Compliance with international standards

JSC “Kokhavian Paper Fabric” is oriented toward full compliance of development, discussion, approval and implementation procedures of the Project not only with the requirements of national legislation but also international best practices.

EBRD supports the approach of the UNECE Convention that defines the environment as public good. The Convention affirms the public's right to be informed about the state of the environment, about emissions and discharges; the right for meaningful consultation on proposed projects or programs that might affect the environment, and the right to file a complaint if the public believes that environmental impacts have not been considered properly. The nature and frequency of stakeholder engagement should depend on the characteristics of the specific project, risks and negative consequences for communities, industry and environmental vulnerability and level of public interest. The project should consider the interests of the local population, which may be affected by the project. For this purpose, the procedure for approval of the project should include informing and involvement of all stakeholders in the discussion, wide dissemination of information about ESIA, enable the public to provide comments for project finalization, provide the appropriate informing on mechanisms which will provide feedback and communication on the stages of the project preparation, approval and implementation.

According to the EBRD Performance Requirement (PR) 10 stakeholders participation in the project preparation, approval and implementation process consists of the following elements:

- Identification and analyzes of the stakeholders which may be impacted by the project (directly or indirectly).
- Development and approval of Stakeholders Engagement Plan (SEP). It is determined how the communication with identified stakeholders (employees and representatives of communities affected by the project) will be performed during the preparation and implementation of the project, including grievance procedures.
- Providing stakeholders with access to information in order to understand risks, consequences and opportunities of the project.

Similarly to national regulation, EBRD requires that the consultations should begin at the early stage of the environmental and social assessment process. In addition, EBRD requires that the

communication with interested stakeholders shall be ensured during the whole time of project implementation (via grievance mechanism) and external reporting is to be provided:

- Periodically, at least once a year, the Company will provide the reports on ESAP implementation, on issues identified during the consultation process or grievance mechanism functioning, that may raise concern of communities, should be provided to EBRD.
- Upon recommendation to publish reports on environmental and social performance of the project by including this information in the Annual Report as a separate publication or posting it on the website.
- Establish grievance mechanism or procedure for reviewing and considering the issues and complaints of stakeholders on environmental and social performance indicators. It is necessary to inform the public on response to complaints while maintaining the privacy of individuals. Grievance mechanism for employees should function separately from grievance mechanisms for public.

ENVIRONMENTAL BENEFITS, ADVERSE IMPACTS AND MITIGATION MEASURES

Water supply

Water intake from the the old channel of the Stryi River is currently used for technological purposes. Water from an abstraction well is used for household needs of the enterprise and for water supply of secondary users.

Current water intake from the Stryi River for industrial needs is over 40 m³/hour and projected water intake for new and existing production provides for 100 m³/hour in total with the possibility of expansion to 200 m³/hour. It is 2.5-5 times higher comparatively to the needs of existing production. For the new facility it is envisaged different operation modes due to potential limitation in surface water supply.

Wastewater discharge system

There are two wastewater treatment plants (WWTP) currently functioning at KPP designated for treatment of sanitary wastewaters and process wastewaters.

Treatment of wastewater discharges from new production via existing WWTP of process wastewater discharges will provide the only removal of suspended solids by the method of pressure flotation. Proposed significant increase of wastewater discharges to the settling ponds without assessed their current state may have significant negative cumulative impact and grown exposure of local residents to adverse factors.

In the process of EIA elaboration, feasibility for current WWTPs to treat additional wastewaters from new industrial facilities will be assessed and a need for their reconstruction analysed. The analysis will be performed along with assessment of current state and future use of the settling ponds. Permit for special water use will be updated.

Rainwater drainage system

In the process of the the new facility commissioning a need for reconstruction of rainwater system will be considered including parts where it is currently not available (the parking area of freight vehicles, fuel and lubricants storage area, abstraction wells, etc.). Also an updated project for rainwater system will be developed.

The settling ponds

Treated wastewaters from both WWTPs are discharged to the settling ponds and the fiber sludge is stored there. Settling ponds were constructed in 1978 on the leased from Hnizdychiv Council territory, adjacent from the north east to the site.

According to the national legislation, there is a requirement for an annual review of the Passports of the settling ponds based on the results of observations, checking measurements, additional works, etc. and its approval by regional state administrations. The receiving a significant amount of discharged effluents from new production poses a threat to the settling ponds protective dikes and a risk of their collapse due to overflow or floods with further contamination of the surrounding areas and the Stryi River. Therefore, there is high probability that their current state will not allow to accept additional wastewater from new production and use them for storage of additional fiber sludge. Project for reclamation of the settling ponds will minimize a risk of dikes collapse due to the floods and will respect water protective zone of Stryi river. The company will develop a management plan and regulation for fiber sludge storage and waste water discharges to settling ponds.

Waste

Soil sampling and testing on presence and concentration of heavy metals will be carried out on the territory of settling ponds, on the adjacent territories and towards the residential buildings.

Soil and groundwater contamination

The Company will analyse the possibility to launch the monitoring program to assess soils and groundwater contamination.

Air Emissions

For new production it is planned to install a separate gas boiler with a capacity of 6 tons of steam per hour, with a pressure of 1.6 MPa. The Company will analyze the feasibility for covering energy needs for new facilities from solar energy as recommended by the energy audit. With the commissioning of new facilities, a permit for air emissions will be updated.

EHS management

Based on the recommendations received, the Company will consider the possibility tto apply a labels “recycled content” as 100% of raw materials currently used at the plant are presented by waste paper. Such label belongs to the category of “environmental self-declaration”, or type II environmental labeling. Recommendations for explanatory notes are set out in ISO 14021. Labels “reduced energy consumption”, “reduced resource use” and “reduced water consumption” can

be applied if the company achieves lower than average for given industry rate for use of raw materials or resources per unit of output. The company is recommended to incorporate the environmental and social criteria in tenders for selecting the suppliers of raw materials and in the contracts. The criteria may include but are not limited to compliance with national EHS regulatory requirements and international best practices. Availability of FSC certification will be one of the main conditions for selection of wood cellulose fiber suppliers for new production.

SOCIAL BENEFITS, ADVERSE IMPACTS AND MITIGATION MEASURES

Community health and safety

Water quality

Water purification to bring it to the drinking water standards will be considered as a priority to minimize the risk or and it will be one of the public-private partnership initiatives in the framework social agreement.

Sanitary Protection Zones

While planning the location of the new production workshops, the Company will attain to the recommendations specified in the State sanitary norms for planning and construction of cities dated 19.06.1996 No. 173 from the residential buildings. Otherwise, there is a risk that the residential buildings will occur within SPZ of new facilities with a requirement for their resettlement. It might be considered as a ground for RAP according PR5. Respectively it is required to locate the new facilities in the upper (north- western) part of designated territory. The Company will consider the possibility to sign a social agreement with the local community specifying projects to be jointly carried out such as program for settling ponds reclamation, information disclosure on air quality in SPZ.

MONITORING OF IMPACTS

Construction

The approval of the project documents by the Project expertise provides a ground for issuing the Permit for Construction. Only after the Permit for construction obtained, the company will initiate a process for selection of the Main Contractor. The completion of the construction by the relevant architectural authorities certifies that there are no deviations from the approved project documentation.

Operation

Within three days, after the company reports that the construction is completed, the State Inspection on Architecture and Construction performs its inspection. The inspection may last not more than four days. If the constructed facility fully complies with project documentation, state construction norms, standards and regulations, the State Inspection on Architecture and Construction issues the Operational Permit/ the Certificate on Compliance within two days of

completion of the inspection. The Operational Permit provides the basis for signing the agreements with companies for supply of water, gas, heat and electricity if needed and for updating relevant EHS permits.

At the stage of operation, the company is liable to obtain and maintain the following key substantiating, permitting, reporting and controlling documents.

Additional information and grievance mechanism

Any comments or concerns can be brought to the attention of the company in writing (by post or e-mail) or by filling in a grievance form.

All grievances will be registered, assigned a number, and acknowledged as received within 7 days. A response will be provided within 30 days. A similar grievance mechanism is available to employees.

Grievance contact data:

To the attention of Environmental Engineer

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Detailed non-technical summary could be provided upon request.