

Environmental Review Summary

Project Description

The EBRD has been approached by AB Rani Plast OY (the 'Sponsor' or 'Rani Plast'), a Finnish family-owned film extrusion company specialising in the manufacturing of polyethylene films for flexible packaging for agriculture, consumer goods, electric insulation, pallet wrapping etc., for a loan of EUR 8.0 million for a Project Company be established and operated in the Kaluga Region. The Loan will co-finance the Project Company's investment programme by providing funding for an acquisition of a turnkey constructed plastic film extrusion plant in the region of Kaluga from Lemcon Invest Ltd (the 'Lemcon'), a wholly owned subsidiary of the Lemminkainen Group, which is one of the largest and most experienced construction companies in Finland. The Kaluga plant will be completed by Lemcon under a fixed price Design& Build contract with the Sponsor in accordance with the design specifications agreed with the Sponsor. The plant will be constructed on a site of a large industrial park, which is under development and owned by Lemcon. The size of Rani Plast site will be approximately 2,16ha. The plant in Kaluga will be a carbon copy of the Sponsor's newly completed extrusion plant in Finland. The Kaluga plant will be a 'state of the art' facility with modern energy efficiency technologies and complying with EU standards in respect to environment, health and safety. The machinery for the plant will be purchased directly from a leading manufacturer. The plant will start with 30 employees and expand over 5 years to 50.

Rani Plast has manufacturing facilities in Finland, Ukraine and Slovakia. Rani Plast employs 500 people in Finland and 500 abroad. In addition to the EBRD's loan, Finnfund will have an equity of EUR 4.5 million and NEFCO will have an equity/sub-loan of EUR 3.0 million.

Screening Category

Potential significant adverse environmental and social impacts associated with the project are site specific and can be readily identified and addressed through mitigation measures. Therefore, the project has been screened B in accordance with the EBRD Environmental Policy (2008).

Environmental and Social Issues

An Environmental Analysis of the proposed project and an Environmental Audit of the existing facilities were carried out by independent consultants. Below is the summary of the outcomes of the due diligence:

- Both Rani Plast and Lemcon, the turnkey contractor for the project holds certified ISO 9001 and ISO 14001 quality and environmental management systems.
- The Company's and Lemcon's overall labour standards and working conditions including occupational health and safety performance are adequate and in compliance with the international good practice, EU and Finnish requirements. The plant in Kaluga is only in preliminary design stage. Main issues to be considered in the design and implementation of the operations are identified as storage, use and handling of chemicals and hazardous wastes; especially to mention solvents and natural gas which are flammable posing potential explosion and health risk.

- The operations in Rani Plast's site in Bjölas in Finland are in general in compliance with local/national and EU standards were found. The target site in Kaluga, Russia is in preliminary design stage at the moment. The specific local/national and EU standards shall be considered in the detailed design of the plant and implementation of the operations, e.g. regarding air emissions, wastes, storm water and wastewater treatment etc.
- Elevated concentrations of iron, lead, cadmium and oil products have been found in surface and ground waters at the Kaluga site. The due diligence has concluded that:
 - The potential risks of groundwater contamination correspond primarily to Lemcon Company as the land owner; however detailed allocation of liability would need further assessment;
 - Based on publicly available sources (Rosprirodnadzor authority web-site) water supply in Vorotynsk city is generally provided from water wells. Thus environmental or health risks can not be excluded. However also in this respect further assessment would be needed. Now only five monitoring points have been chosen for investigation, and only in one case such high level of contamination was revealed. Also the source of pollution is unknown;
 - Finally for Rani Plast- it is important to monitor GW quality onsite before the operation starts in order to confirm that their activity does not result in GW contamination. No other environmental risks, liabilities or impacts were identified during the due diligence.

Summary of Environmental Action Plan

An Environmental and Social Action Plan (ESAP) has been developed as part of the due diligence process. The main action items in the ESAP, which will need to be applied by Rani Plast and its contractors can be summarised as follows:

- Detailed design and permitting of the plant and operations (including local EIA) to be completed prior to the start of any operations;
- ISO 14001 and ISO 9001 certification;
- Baseline study to assess contamination of groundwater in Rani Plast's site and associated risks; Clarification of allocation of associated liability to be considered in the agreements to be completed within 2009;
- Development of waste disposal options before any operations starts;
- Preparation of an emergency preparedness plan;
- Preparation of a stakeholder engagement plan;
- Planning and implementation of EHS training for workers.

The Sponsor will be required to provide an annual environmental and social report to the Lenders, including updates on the monitoring undertaken, implementation of the agreed ESAP, and notification on any material accidents or incidents.