



European Bank
for Reconstruction and Development

For the attention of:

Centre for Environmental Initiatives "Ecoaction", Ukraine
Ukrainian Nature Conservation Group, Ukraine
NGO Ecoclub, Ukraine
NGO Ecosphera, Ukraine
National Ecological Centre of Ukraine, Ukraine
CEE Bankwatch Network, Regional (Central and Eastern Europe)
Accountability Counsel, Global
International Accountability Project, Global
Sinergia Animal, Global
Stop Financing Factory Farming Coalition, Global
Friends of the Earth US, USA
In Defense of Animals, USA
The Coalition Against Factory Farming, UK

21 November 2025

Re: Letter of concern regarding MHP Sunflower Working Capital dated 26 September 2025

Dear CSO partners,

Thank you for your letter dated 26 September 2025 in respect of the MHP Sunflower Working Capital project (the "Project"). Please see below the response to your questions and inquiries.

Disclosure and consultation:

The Project Summary Document ("PSD") for the Project was disclosed in line with the provisions of the EBRD's Access to Information Policy ("AIP") and the Directive on Access to Information ("DAI"). In particular, section 1.4.4 of the DAI sets out circumstances for the deferral of the PSD. According to the DAI and AIP, the PSD for the Project was deferred until signing date based on the legitimate client's concern about confidentiality (related to MHP's listed nature and being an issuer of Eurobonds).

As disclosed in the PSD, "the purchasing, transport and processing of sunflower seeds is associated with a limited number of environmental and social issues which are typically site specific and readily addressed through standard mitigation measures. Given current circumstances, and the risks associated with the Project, ESDD was carried out internally by ESD utilising knowledge from a recent monitoring report, previous site visits and reporting, additional documentary evidence and selected updates from the Group. The Group is a long-standing client of the Bank and has been subject to the due diligence processes on five occasions and monitoring exercises on three occasions, the last of those being in 2023. Besides third-party due diligence and monitoring, staff from ESD have visited the Group a number of times and witnessed a range of Group facilities relevant to the proposed Project."

Risk of increased harm and no benefits at the local level:

Zernoproduct Farm involvement. The loan proceeds are being channelled to MHP's subsidiaries in Ukraine to purchase sunflower seeds from third-party farmers for further processing into sunflower oil for export. To our knowledge, Zernoproduct Farm does not purchase sunflower seeds from third parties and does not participate in sunflower oil production; therefore, it falls outside the scope of the current Project.

Concerns re houses damage from traffic indeed have been raised repeatedly and, as we understand, were extensively discussed during the PCM/CAO mediation process in 2018-2021. At the same time, MHP is continuously improving its road safety and traffic management practices, including the

construction and use of the by-pass road (detouring Olyanytsia village) by MHP's own transport (with GPS monitoring and daily compliance monitoring); working with suppliers and customers, including imposing formal requirements to mandatory bypassing of the village of Olyanytsia and conducting regular informational sessions with drivers (both MHP staff and contracted carriers).

While the Bank is happy to provide information, and intervene, when permitted through its policy and any contractual agreements with the client, we would encourage you to maintain direct dialogue with MHP on this issue as it is more efficient than acting through the Bank as a third party. We would also encourage you to work with local authorities, especially when it comes to alleged breach of local safety standards and usage of local roads of regional significance.

Local level benefits. In addition to food security role of the Project, the Project is also supporting hundreds of third-party oilseeds farmers across Ukraine that MHP cooperates with throughout its supply chain, helping the farmers to secure key revenues on time to enable next year's sowing campaign.

Existing concerns and pending complaints:

In the past MHP has been a subject of a number of complaints from the CSOs and affected communities, which culminated in a formal complaint submitted to the EBRD's IPAM (former PCM). At the same time, MHP is a long-standing client of the Bank and has been subject to multiple due diligence exercises, long-term E&S reporting, and several monitoring visits by both external consultants and Bank staff. Additionally, an independent animal welfare audit was undertaken as part of the E&S due diligence process for the pet food project (signed in June 2025), including site visits to three of the poultry production sites of the Group confirming compliance of the Group's poultry-rearing processes with EU directives and international best practices.

Based on the due diligence and monitoring of MHP so far, the Bank's conclusion is that MHP has progressed well in installing an effective E&S management system and continues to improve its organisational approach to E&S issues, continually increasing coordination, effectiveness, and employee engagement across all facilities. Key amongst them are the significant improvements in disclosure demonstrating how the Group is developing tools and responses to the wide variety of E&S issues affecting its business.

Ongoing Compliance Review does not preclude the Bank from continued engagement with the client, which is also justified by the strong Bank's additionality and the continued importance of food security.

Response to information request:

- The role of Zernoproduct Farm in the project (i.e. as a supplier or a purchaser of sunflower seeds).
Response: please refer to comments above.
- What Group facilities relevant to the proposed Project were visited by the project team.
Response: MHP is EBRD's client since 2010 and historically the project team and external consultants visited various MHP facilities, including its key oilseeds crushing plants located in Vinnytsia and Cherkasy regions.
- Details about the client's new 'Autodrome' training facility, including its planned location and purpose.
Response: the location of the facility has not yet been identified. The 'Autodrome' training facility purpose is to deliver entry-level training and licences to new drivers as well as refresh the skills of more experienced drivers in line with EU training and licencing standards, helping

to address critical war-induced shortage of qualified driving professionals within Ukraine's agricultural sector.

- The EBRD's project-specific Paris-compliance assessment, as we strongly oppose the categorization of agricultural operations linked to the industrial livestock sector as Paris-aligned.

Response: The Project has been determined as aligned with the mitigation and adaptation goals of the Paris Agreement based on the application of the EBRD's Paris alignment approach for directly financed investments:

- *The Project activity is included in the 'MDBs' aligned list' under the category "Non-ruminant livestock with negligible lifecycle GHG emissions".*
- *There are no activities included in the 'non-aligned list'.*
- *Applicable additional or specific conditions associated with the 'aligned' project/economic activity have been met.*

As part of this transaction, MHP will further develop its climate commitment based on the Climate Corporate Governance assessment results that was conducted and given this commitment, in additionally addressing climate risks, the Project is considered Paris Aligned.

- Any social or environmental conditions or measures that were included in this project in response to IPAM's draft compliance report findings.

Response: the draft Compliance Review report findings are not reflected in this Project. The Management Action Plan will be developed after the Compliance Review report (including IPAM findings and recommendations) is finalized. Any Management actions which are subsequently agreed, and which are relevant to the Group and/or the Project will be incorporated into the Project's E&S monitoring where possible.

- The updated ESAP developed by the company.

Response: this Project does not entail separate ESAP as explained in the PSD. There are another 2 projects with ESAPs in progress - bond refinancing loan signed in 2023 and capex project signed in June 2025.

Kind regards,
EBRD Civil Society Engagement