

## Public Information Summary

Host Country	Ukraine
Names of Borrowers	MHP SE, Cyprus Vynnytska Ptakhofabryka, Ukraine
Project Description	Direct loan to poultry production company to refinance a bond and for new capital expenditures.
Proposed DFC Loan/Guaranty	6-7 year, up to \$250,000,000
All-Source Funding Total	\$655,000,000
Policy Review	
Developmental Objectives	The Project is expected to have a positive development impact in Ukraine by supporting the recovery of agricultural production and exports, providing income to local business and the government, and supporting new jobs. Ukraine is one of the top agricultural exporters in the world. According to the World Bank, total agriculture damage and losses due to the war was estimated to be \$40.2 billion in 2022. The losses and the ongoing disruption to Ukrainian exports directly affect global food prices and food security. MHP Group is the largest producer and exporter of chicken in Ukraine and one of the country's largest grain producers. By supporting the overall sustainability of MHP Group, as well as maintenance and capital expenditures for its production facilities, grain storage, and transportation logistics, the Project is expected to result in more than \$1.7 billion in agricultural exports sales annually.
Environment and Social Assessment	<b>SCREENING:</b> The Project has been reviewed against DFC's categorical prohibitions and has been determined to be categorically eligible. Projects involving a corporate loan are categorized according to the known use of proceeds at the time of application. The Project company will refinance its maturing bond and allow its subsidiaries to fund the operations and maintenance of an existing vertically integrated poultry and grain producing business, and also fund to a lesser extent, new capital expenditures. Capital expenditures will include production facilities for new chicken products for export, new chicken products for domestic sales, new grain storage facilities, acquisition of new backup diesel generators, new bio-LNG plant, new logistics wagons, and new utility building. Under DFC's environmental and social policies and procedures, the environmental and social impacts related to the known use of proceeds are expected to be site-specific and readily identified

and addressed through mitigation measures. Therefore, the Project is Category B. The Project is subject to an assessment of climate resiliency.

Due to the elevated social risks associated with the current context in addition to the large physical footprint and significant workforce, this Project has been designated as Special Consideration.

**APPLICABLE STANDARDS** The Project is subject to DFC's Environmental and Social Policy and Procedures ("ESPP"; July 2020). Under DFC's ESPP, the Project company is required to comply with applicable national laws and regulations related to environmental and social performance. DFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following International Finance Corporation's (IFC) 2012 Performance Standards (PS):

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts;
- PS 2: Labor and Working Conditions;
- PS 3: Resource Efficiency and Pollution Prevention; and
- PS 4: Community Health, Safety, and Security.

The Project's existing operations and maintenance involve lands currently leased and facilities owned by the Project company. The Project's capital expenditure program does not involve additional land requirements, there is no anticipated impact on PS 7 on Indigenous Peoples or on PS 8 on Cultural Heritage at this time.

#### **Environmental and Social Risks and Mitigation Measures**

The Project company has been supported by other development finance institutions (DFIs) and is subject to covenant requirements for compliance with IFC Performance Standards including the establishment of a corporate level Environmental and Social Management System. Details of these requirements were captured in detail through a series of Environmental and Social Action Plans (ESAPs). The ESMS includes an internal audit system; corporate E&S team comprised of environmental management, corporate health and safety manager, corporate quality assurance and food safety manager; and a process to identify and manage environmental and social risks by conducting ESIA studies for new or reconstructed facilities including needed site-specific management plans; and a corporate level stakeholder engagement program.

The Project company has also been subject to Annual Monitoring Reports and onsite audits by DFIs. The Project company and its facilities undergo State Food Safety and Biosafety Authority audits, global standard for food safety (BRCS) certification audits, and corporate customer food safety audits (e.g., KFC/McDonalds). The

	<p>Project company implements a Hazard Analysis and Critical Control Plan (HACCP) and Biosafety Plan as part of its corporate level ESMS.</p> <p>Documentation available to DFC indicates the Project company is managing its waste in accordance with best available technologies for the agriculture sector. Energy is sourced from the municipal grid and from diesel generators. Water is adequately sourced and water use monitored in accordance with local regulations.</p> <p>The primary social risks associated with the Project are the large workforce with some vulnerable groups, previous complaints about appropriate engagement and information disclosure, appropriate management of lands under lease, and ensuring that security arrangements are managed appropriately. Based on the requirements of the existing DFI facilities, the Project has developed improved human resource management systems, Stakeholder Engagement Plans, and Land Use Policy. MHP's Sustainability Report outlines the measures for the protection of staff, facilities, and operations given the uncertainty associated with the ongoing conflict.</p> <p>A third-party monitoring visit to MHP was just completed for an existing DFI facility and DFC will include reference to relevant findings in the updated Environmental and Social Action Plan. DFC will require evidence of IFC compliant human resources management, stakeholder engagement, land management, and security arrangements.</p>
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