

# ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

**Disclaimer**

This Environmental and Social Review Summary is prepared and distributed in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board of Director's decision. Board dates are estimates only. Any documentation which is attached to this Environmental and Social Review Summary has been prepared by the project sponsor and authorization has been given for public release. IFC has reviewed this documentation and considers that it is of adequate quality to be released to the public but does not endorse the content.

**Project Identification:**

<i>Country:</i> Papua New Guinea	<i>Project Name:</i> KK Kingston	<i>Project No.:</i> 28111
<i>Region:</i> ASIA		<i>Environment Category:</i> B - Limited
<i>Dept./Div.:</i> CGMS6 - Global Manufacturing & Services/New Business CEA	<i>Company Name:</i> K.K. Kingston Limited	
<i>Project Business Sector:</i> M-DB - Industrial Machinery		<i>Project Status:</i> Active


**Parent Project Identification:**

Parent ID:	
Parent Short Name:	
Parent Relationship:	No Relationship

**IFC's Disclosure Requirements:**

Date ESRS sent to InfoShop & posted on IFC Web site:	
Date of revision (if appropriate):	
Date of clearance by client for factual accuracy	
Local Disclosure Date	
Local Disclosure Date of revised ESRS	

**Overview of IFC's scope of review:**

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The scope of review of KK Kingston's compliance with IFC's Performance Standards and local environmental, social and occupational health and safety standards, included assessment of the effectiveness of the Company's environmental and social management system for its proposed capital expenditure projects and its ability to ensure and monitor compliance with regulatory requirements and IFC's Performance Standards in its operations. The review relied on documents and reports made available by KK Kingston and interviews conducted by IFC staff during their site visits to their manufacturing, warehousing and retail facilities located in Lae and Port Moresby in Papua New Guinea. During the visit IFC staff conducted interviews with key management personnel including plant managers, EH&S staff and Human Resources, as well as various support staff.

**Project Description:**

KK Kingston Limited (the "Company") is one of Papua New Guinea's ("PNG") leading privately owned companies with businesses in i) supplying industrial equipments and after-sale services; (ii) manufacturing of plastic bottles, caps and food trays; (iii) manufacturing of rotational-molded industrial plastic products; (iv) manufacturing of paper products; (v) manufacturing of chemical products; (vi) bottling and distributing of cooking oil; (vii) importing finished goods for re-sale in the PNG retail market; and (viii) rental of capital equipment including generators and compressors. The company is also seeking to expand its presence to other product areas as opportunities develop in PNG's developing economy. The company is seeking equity financing from IFC of up to Kina 10 million (USD \$ 4 Million) to support its capital expenditure programs that include (i) refurbishing existing plants and equipments to support the growth of the Company; (ii) replacing existing motor vehicles; and (iii) fitting out the new Port Moresby premises.

**Identified Applicable Performance Standards:**

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Social and Environmental Assessment and Management System;
- PS2: Labor and Working Conditions;
- PS3: Pollution Prevention and Abatement; and
- PS4: Community Health Safety and Security

Issues associated with the following PS were not encountered during the assessment of the project: PS5: KK Kingston facilities are located on land that is legally titled and have been issued land use rights under a willing party transaction framework. PS6: KK Kingston obtains refined palm oil from New Britain Palm Oil Company in limited quantities (up to 70,000 liters per annum) which is repackaged for resale. Pulp and paper products for sanitary usage are purchased as bulk rolls that are cut and repackaged for retail sale. No adverse impacts to biodiversity or sustainable natural resource management under KK Kingston's ability to influence were observed; PS7: No Indigenous People are known to have been in the area or affected by the project; PS8: No evidence of the presence or impact to issues associated with Cultural Heritage.

Going forward, the Company shall consider all relevant social and environmental risks and impacts, including the issues identified in PS1 through PS8 while assessing any new business opportunities or product lines.

**E & S Categorization Rationale:**

This is a Category B project according to IFC's Procedure for Environmental and Social Review of Projects because a limited number of specific environmental and social impacts may result, which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria, including corrective measures identified in the Environmental and Social Action Plan. Key environmental, health and safety, human resources and social issues that were reviewed included the following: environmental and social management system; quality and sustainability of water resources; emissions to the environment – air, water and subsurface; solid and hazardous materials management, including transportation; life and fire safety; community and occupational health and safety; energy use and efficiency; community engagement; land acquisition; sustainability of natural resources and any potential issues associated with the supply chain (palm oil).

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**Description of key Environmental and Social Issues and Mitigation:**

KK Kingston has provided information on its current practices and policies that seek to address these risks and impacts to ensure that the proposed project complies with or, will upon implementation of specific additional agreed measures, comply with host country laws and regulations and the IFC Performance Standards on Social and Environment Sustainability and applicable environmental, health and safety guidelines. Environmental, social and health and safety issues that require ameliorative measures will be addressed by KK Kingston as part of IFC’s investment documents and any associated Agreements.

**Social and Environmental Assessment and Management Systems:**


KK Kingston has three sites in Lae and two sites in Port Moresby. The sites in Lae are used for the manufacturing of plastics products, chemical products, paper products, rotational molded products, bottling of cooking oil, as well as providing warehouse and showroom spaces. The sites in Port Moresby are used for manufacturing of plastics products, as well as providing warehouse and showroom spaces. The Company has already hired a full time professional and initiated work to achieve management system certifications for ISO 9001 for quality and HACCP for food safety (for its edible oil operations) by second quarter of 2011. Presently, the company has no formal corporate environmental, social, health and safety (ESHS) management system. The Company’s management program includes operational policies and procedures that are implemented at the facilities level by supervisors who report to management on a regular basis. Policies and procedures comply with applicable local regulatory requirements for operation of these facilities including those for human resources and labor, occupational health and safety, and environmental compliance. As part of the Environmental and Social Action Plan (ESAP), KK Kingston will implement an Environmental and Social Management System (ESMS) to provide consistent oversight of environmental, social and health and safety for all its operations, sub-contractors and supply chain, as well as screening of new opportunities. KK Kingston will designate an individual on the board of the Company to ensure compliance with group policies, procedures and regulatory requirements, and ensure consistency with good international industry practice for ESHS performance, prior to and beyond implementation of a certification regime. Key risks and issues requiring mitigation and continued oversight are identified in the ESAP.

Human resources are managed at the corporate level with oversight of all the Company's facilities and operations. Training of staff is undertaken on a routine basis in compliance with PNG workplace regulations. Facility managers are responsible to ensure that employees are adequately trained to perform their work safely. KK Kingston has a monitoring program for occupational health and safety (OH&S) that is managed at the facilities level in compliance with local regulatory requirements. Managers monitor that standards are met in every facility and any reportable incidents are reported with follow up action taken when required. Reporting requirements comply with national laws and regulations, and in its preparation for management system certification, KK Kingston will ensure consistency with applicable IFC policies and guidelines for the sector.

**Labor and Working Conditions:**

KK Kingston employs about 550 employees across all its operations which include manufacturing, sales and distribution. Sub contracted workers are also employed on an as needed basis for various functions such as small construction and maintenance activities, administrative support and miscellaneous roles. Transportation of goods and products is sub-contracted to local transportation service providers. The Company has a human resources policy that is consistent with local and national regulatory requirements. The policy is included in employment contracts, and addresses working conditions, terms of employment, and wages and benefits. This information is provided in the form of an employee handbook at the time of induction. The minimum employment age at KK Kingston is 18 years. Child labor or forced labor is not employed directly or by subcontractors. Subcontractors are expected to comply with all local labor requirements specified in contractual arrangements. There is a plan for accident prevention and worker safety consistent with local regulatory requirements. All employees in the company have to undergo a full training program at induction and subsequently regarding worker health and safety relevant to their job activity. Facilities are audited by regulatory agencies to monitor compliance with labor regulations. KK Kingston is in compliance with national regulatory requirements and has not been the subject of any known violations of applicable labor laws.

KK Kingston’s HR policies and procedures recognize employment relationships on the principles of non-discrimination and equal opportunity, freedom of association and grievance, which although in use, are not documented adequately. Employees are aware of their right to freedom of association and have the opportunity to collectively represent to the management any issues or grievances that they may have. Consistent with PNG labor laws, employees at KK Kingston have the right to be part of a trade union. Moving forward, as part of the ESAP, KK Kingston will review and update its existing HR policies and procedures to ensure formal documentation of its policies and procedures to ensure operational consistency with IFC Performance Standard 2 on Labor and Working Conditions. Also, as part of the agreed ESAP, KK Kingston will retain an external occupational health and safety consultant to build internal capacity and develop an implementation plan to achieve international standards for occupational health and safety at all its facilities. It is anticipated that the Company's occupational health and safety performance

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will achieve consistency with applicable IFC policies and guidelines for the sector after recommendations from the external consultant are implemented.

**Pollution Prevention and Abatement:**

Emissions to the environment from KK Kingston facilities include discharge of treated effluents, storm water and exhaust from boilers and miscellaneous process equipment. Small quantities of process wastewater after primary treatment from two facilities in Lae are discharged to municipal sewer (edible oil blending and packaging, and bleach manufacture). Treated effluent complies with PNG regulations for discharge to sewer. Sanitary wastewater is discharged directly to the municipal sewer system as well. However, since the city of Lae discharges combined wastewater without treatment to the environment, KK Kingston will upgrade its existing wastewater facilities at the two facilities mentioned above to meet IFC standards for discharge of treated effluents to surface water. Storm water does not come into contact with any process effluents, and is currently discharged without treatment to the environment. Air emissions are primarily from diesel fired generators and rotational molding equipment that uses liquefied petroleum gas. No monitoring is required per local regulations, and hence no data is available to assess compliance with applicable IFC guidelines for emissions to the atmosphere. Moving forward, as agreed in the ESAP, the company will ensure that all emissions to the environment are in compliance with national regulatory requirements as well as applicable IFC guidelines for the sector.

Solid waste from KK Kingston’s facilities includes both recyclable and non-recyclable materials that are sold to or disposed by licensed vendors. Limited quantities (less than 100 liters a year) of hazardous wastes, such as lubricants, spent motor oil and containers, are also generated from KK Kingston facilities. Since PNG has no infrastructure for the safe disposal of hazardous wastes, KK Kingston returns hazardous waste material to the manufacturers where possible, while limited quantities from washing and cleansing operations from metals workshop and maintenance areas may be occasionally discharged to the sewer. As agreed in the ESAP, KK Kingston will assess alternatives available for the safe disposal of hazardous waste, and implement remedial actions that are protective of human health and the environment.

Fresh water consumption by KK Kingston is estimated to be about 55 cubic meters per day which includes water for process and sanitary usage. Water is obtained from the PNG Water Supply Board. KK Kingston consumes about 3,250 MW-h of electric energy annually, all of which is obtained from the public service grid. Additionally KK Kingston consumes about 89,000 liters of diesel and about 300, 000 liters per year of LPG. Net green house gas (GHG) emissions attributable to KK Kingston’s direct annual consumption of energy, is estimated to be about 1, 600 metric tons of carbon dioxide equivalents per year. Transportation of goods and products is sub-contracted or by third party, and not included in the estimate of GHG emissions directly attributable to the Company.


**Community Health, Safety and Security**

Engineering controls and staff training are provided to mitigate risks and issues associated with KK Kingston's bleach manufacturing operations, which includes transport, storage and use of gaseous chlorine. Chlorine is transported to site in standard road mobile bullet tanks, and stored in a specially designated area. KK Kingston has good safety standards and training for the handling, use and storage of chlorine gas. As agreed in the ESAP, KK Kingston will review its procedures, training and infrastructure to ensure safe operations and emergency response. Update to the procedures will include – transportation contingencies, emergency prevention and control plans which specify responsibilities, ensure appropriate response equipment and materials are in place, and detail a set of procedures to be followed to minimize the harm of any potential accident. Recognizing risks associated with accidental release of chlorine to its workers and neighbors in close proximity, KK Kingston will also add a community involvement component that addresses communication of risk, appropriate behavior, and safety measures to be implemented in the event of release of chlorine gas.

**Client’s Community Engagement:**

No local communities have been significantly affected by KK Kingston’s ongoing operations. The Company has not been the subject of any public complaints or litigation related to its Environmental or Social performance. As a result, no formal information dissemination activities have been undertaken so far. Notwithstanding, as part of its Environmental and Social Management program, KK Kingston will establish methods for communicating environmental and social aspects to external interested parties and maintain procedures for receiving, documenting and responding to concerns from any external interested parties relating to the project.

For more information see the company’s website at <http://www.kingston.com.pg> or contact:

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**Local access of project documentation**

Environmental and social information pertaining to the project will be available for access by the locally affected communities outside the company's premises:

KK Kingston Limited  
Milfordhaven Road, Lae City  
Morobe Province 411  
Papua New Guinea

**Approval Status:**

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