Classification and Environmental and Social Strategy (ESS)

Project 16335-01 – UISA: CAPEX Expansion Financing – Brazil

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1. Project Scope and Objective and IDB Invest's Participation

The proposed transaction consists of a senior loan to Usinas Itamarati S.A. ("UISA," the "Company," or the "Client") to finance eligible capital expenditures under its investment program in the State of Mato Grosso, Brazil (the "Project").

The funds are intended to support investments relevant to the development and modernization of UISA's operations, including the expansion and modernization of irrigation and fertigation systems, improvements in equipment and industrial efficiency, reduction of energy consumption, environmental and safety enhancements, and the selective expansion of sugarcane cultivation areas. The expansion of irrigation and fertigation aims to increase the resilience of agricultural production to drought conditions and extend the useful life of sugarcane fields.

UISA operates an integrated biorefinery and agricultural activities associated with the production of sugar, ethanol, bioenergy, and other bioproducts.

2. Environmental and Social Classification and Strategy

The operation has been preliminarily classified as Category A, in accordance with IDB Invest's Environmental and Social Sustainability Policy. This approach takes into account the scale and geographic extent of agricultural and industrial operations, the projected expansion of irrigation and fertigation systems and cultivated areas, the potential risks associated with water use and vinasse management, as well as issues still under evaluation regarding potentially affected indigenous peoples. The categorization will be confirmed during the Environmental and Social Due Diligence ("ESDD"), based on a review of available studies and information, site visits and interviews to be conducted, and the nature and magnitude of the identified risks and impacts.

The main potential environmental and social risks and impacts associated with existing operations and proposed investments include: (i) occupational health and safety and industrial process risks, including the operation of machinery and equipment, construction work, and the handling of hazardous products; (ii) labor and human rights risks related to the management of direct and contract workers and the supply chain, particularly for sugarcane; (iii) impacts on soil and natural habitats resulting from agricultural expansion and associated infrastructure; (iv) impacts on the availability and quality of water resources, including cumulative effects of irrigation expansion and contamination risks associated with the management of vinasse, fertilizers, pesticides, and other chemicals; (v) air emissions, odors, noise, and the generation of effluents and waste; (vi) risks of fires, explosions, and accidents in agricultural and industrial activities; (vii) risks to the health and safety of communities, including road safety and potential impacts on users of natural resources; and (viii) potential direct and indirect risks and impacts on the Umutina-Balatiponé people and other indigenous communities, including those related to natural resources, livelihoods, cultural practices, and cultural heritage, the nature of which and any relationship to UISA's activities will be assessed during the DDAS.

The DDAS process will include a review of available environmental and social studies and documents, site visits to industrial facilities, agricultural areas, and associated infrastructure, meetings with UISA teams, workers, and other stakeholders, as well as an assessment of relevant management systems, policies, plans, procedures, and records. The analysis will cover, among other aspects: (i) the Environmental and Social Management System and the procedures for identifying and managing risks and impacts; (ii) environmental permitting and compliance with conditions and other applicable legal obligations; (iii) water resource management and climate resilience; (iv) management of vinasse, effluents, waste, emissions, and hazardous materials; (v) biodiversity, land use, and management of agricultural suppliers; (vi) working conditions, occupational health and safety, and management of contractors; (vii) industrial process safety, emergency prevention, and response; and (viii) community health and safety, stakeholder engagement, and grievance mechanisms, with a focus on vulnerable groups.

Based on the information available to date, the Performance Standards ("PS") relevant to the project are: (i) PS1: Assessment and Management of Socio-Environmental Risks and Impacts; (ii) PS2: Employment and Working Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; (iv) PS4: Community Health and Safety; (vi) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; and (vii) PS7: Indigenous Peoples.

As a result of the ESRA, IDB Invest will confirm the Project's categorization, the relevant Performance Standards, and any compliance gaps with respect to its Environmental and Social Sustainability Policy. The necessary measures will be consolidated into an Environmental and Social Action Plan. Upon completion of the ESRA, an Environmental and Social Review Summary will be prepared and disclosed.

3. Additional Information

For questions about the Project, please contact UISA:

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In addition, affected communities can access BID Invest's Independent Consultation and Investigation Mechanism ("MICI") as follows:

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