Classification and Environmental and Social Strategy (ESS)
Piauí Nickel Project (16444-01) – Brazil

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1. Project Scope and Objective and IDB Invest Participation

The proposed transaction consists of long-term financing to support the development, construction, and operation of the Piauí Nickel Project ("PNP" or the "Project"), an integrated lateritic nickel mining and processing development located in the Brejo Seco region, in the municipality of Capitão Gervásio Oliveira, State of Piauí, Brazil. The Project is being developed by Piauí Níquel Metais S.A. ("PNM," the "Company," or the "Client"), a subsidiary of Brazilian Nickel Limited.

The Project will comprise an open-pit mine and hydrometallurgical heap-leaching processing facilities, using a sulfuric acid solution to extract nickel and cobalt from lateritic ore. The resulting solution will undergo purification and precipitation stages to produce mixed hydroxide precipitate ("MHP") containing nickel and cobalt. The Project will also produce a secondary MHP stream containing nickel and copper. During the first ten years of commercial-scale operations, average annual production is estimated at approximately 28,000 metric tons of nickel, 1,000 metric tons of cobalt, and 1,100 metric tons of copper. The reserve base is expected to support an estimated mine life of approximately 35 years.

The Project's main components include: (i) open-pit mining areas; (ii) ore crushing and stockpiling facilities; (iii) leach pads, process solution ponds, and their respective containment and drainage systems; (iv) a sulfuric acid production plant; (v) hydrometallurgical processing facilities; (vi) waste rock and process residue disposal structures; and (vii) other ancillary facilities and systems. The Project also includes complementary infrastructure, including limestone and gravel quarries, water intake and conveyance systems, a power transmission line, access roads, and support facilities.

The Project represents the Full-Scale expansion from a commercial scale smaller operation that began nickel production in June 2022. Under the planned configuration, the commercial operation is expected to mine and process approximately three million metric tons of ore per year for approximately 22 years, with processing activities continuing for an additional period.

2. Environmental and Social Review and Strategy

The operation has been preliminarily classified as Category A in accordance with IDB Invest's Environmental and Social Sustainability Policy, considering the nature, scale, and complexity of the Project and the potential for significant, diverse, and potentially irreversible environmental and social ("E&S") impacts. The classification considers, in particular, the risks and impacts associated with open-pit mining, sulfuric acid heap leaching, the management of process solutions and residues, water resource use, habitat conversion and fragmentation, land acquisition and possible physical or economic displacement,

as well as cumulative impacts associated with the Project and its complementary infrastructure. The classification will be confirmed during the Environmental and Social Due Diligence ("ESDD") process.

During the construction phase, the main potential E&S risks and impacts include: (i) vegetation clearing, habitat loss and fragmentation, and potential impacts on biodiversity and ecosystem services; (ii) earthworks, erosion, and sediment transport, with potential impacts on water resources; (iii) land acquisition, establishment of easements, land-use restrictions, and possible physical or economic displacement; (iv) labor conditions and occupational health and safety risks, including those associated with material handling, heavy equipment operation, and construction activities; (v) labor influx and potential pressure on local services, infrastructure, and communities; (vi) increased heavy-vehicle traffic and road safety risks; (vii) generation of dust, noise, vibration, waste, and effluents; (viii) potential impacts on rural communities and their livelihoods; and (ix) potential impacts on cultural and archaeological heritage during excavation and earthmoving activities.

During the operations phase, the main potential E&S risks and impacts include: (i) landscape alteration, vegetation clearing, and impacts on biodiversity and ecosystem services; (ii) water consumption and potential impacts on the availability and quality of water resources; (iii) risks of soil and water resource contamination associated with leach pads, ponds, and solution storage and transfer systems; (iv) occupational health and safety and process safety risks, particularly those associated with the production and handling of sulfuric acid and other hazardous substances; (v) risks of leaks, spills, fires, and other accidents, with potential consequences for workers and communities; (vi) generation and disposal of waste rock, process residues, and hazardous waste, including risks to the physical and chemical stability of storage structures; (vii) air emissions, dust, noise, and vibration; (viii) energy consumption and greenhouse gas emissions; (ix) community health and safety risks, including those associated with the transportation of hazardous materials; and (x) cumulative impacts associated with the mine, processing facilities, and associated infrastructure.

The ESDD will include a review of E&S studies and documents, visits to existing facilities and expansion areas, and meetings with the Client and other stakeholders. The assessment will cover, among other aspects: (i) the E&S management system, the Client's institutional capacity, and the performance of existing operations; (ii) environmental and social impact studies, including cumulative impacts and associated infrastructure; (iii) water resources, effluents, hazardous materials, and waste management, including the integrity of containment and drainage systems at the leaching facilities; (iv) process safety, the stability of material disposal structures, and emergency preparedness and response systems; (v) biodiversity studies, including natural and critical habitats and mitigation and offset measures; (vi) land acquisition, resettlement, and livelihood restoration processes; (vii) labor conditions, occupational health and safety, and contractor management; (viii) community health and safety risks, including road safety and hazardous materials transport; and (ix) stakeholder engagement processes and grievance mechanisms.

Based on the information available to date, the following Performance Standards ("PSs") are considered potentially applicable to the Project: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS2: Labor and Working Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; (iv) PS4: Community Health, Safety, and Security; (v) PS5: Land Acquisition and Involuntary Resettlement; (vi) PS6: Biodiversity Conservation and Sustainable Management of Living Natural

Resources; and (vii) PS8: Cultural Heritage. The applicability of PS7, concerning Indigenous Peoples, will also be verified during the ESDD, considering the presence of any traditional communities within the Project's area of influence that meet the criteria established by the standard.

As a result of the ESDD process, IDB Invest will confirm the Project's categorization, identify any compliance gaps with respect to its Environmental and Social Sustainability Policy, and define an Environmental and Social Action Plan to address those gaps. Following completion of the ESDD process, an Environmental and Social Review Summary ("ESRS") will be prepared and published on this website.

3. Additional Information

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In addition, affected communities can access IDB Invests Independent Consultation and Investigation Mechanism (ICIM) as follows:

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