

Classification and Environmental and Social Strategy (ESS) Iguá CEDAE Concession Bloco 2 (14211-01) – BRAZIL

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1. Project Scope and Objective and IDB Invest Participation

In April 2021, Iguá Saneamento (the “Client” or the “Company”) won a concession auction from the Rio de Janeiro Potable Water and Sanitation State Company (“CEDAE”) to provide for 35 years potable water and sewerage services for the population living in Concession Block 2 in Rio de Janeiro State (the “Project”). The goal, in addition to cover 100% of the potable water demand, is to achieve 90% of sewage collection and treatment for 1.2 million people in 3 municipalities of Rio de Janeiro State until 2033. The Company will be responsible for water distribution and sewage collection and treatment services in the capital of Rio de Janeiro, while CEDAE will remain in charge for water collection and treatment. In the municipalities of Paty do Alferes and Miguel Pereira, the Company will also collect and treat water.

Project activities will include the construction, operation, recovery, and maintenance of sanitation infrastructure, including water pipelines, a long sea outfall, potable water and sewage treatment stations, sewers, elevation and charge towers, water reservoirs and other associated facilities. Existing infrastructure will be recovered, operated, and maintained throughout the concession period. In addition, the Project will carry out the cleanup of the Jacarepaguá, Camorim, Tijuca e Marapendi urban lagoons.

The Project will be mostly implemented in urban areas, including vulnerable communities of the city of Rio de Janeiro.

2. Classification and Environmental and Social Strategy

The Project has been pre-classified in Category B, in accordance with IDB Invest's Environmental and Social Sustainability Policy because its potential environmental or social impacts and risks are deemed to be limited to the Project site and can be mitigated via measures that are readily available and feasible to implement in the context of the proposed operation. Its final classification will be determined after the process of Environmental and Social Due Diligence (“ESDD”) is done.

Most the Project activities will be carried out in urban contexts and, according to Brazilian regulations, will not require environmental licenses or the preparation of Environmental and Social Impact Assessments (“ESIAs”). However, some of the new infrastructure to be furnished by the Project, such as the water treatment plants (“WTPs”), sewage treatment plants (“SWPs”) and reservoirs, among others, will require the preparation of ESIAs prior to the obtention of their corresponding environmental licenses.

The Project’s Environmental and Social Due Diligence (“ESDD”) will be performed by means of documentation review, site visits (to specific sensitive locations, particularly those selected for the construction of new infrastructure), and meetings with the Client. The focal points of the assessment will

include workers and community impacts including health and safety, traffic, air quality, noise disturbance and community resettlement. Biodiversity risks and impacts may be relevant at some Project locations and will be duly verified.

Based on the information received and reviewed so far, the Performance Standards (“PS”) that the Project is likely to trigger are: PS1 Assessment and Management of Environmental and Social Risks and Impacts; PS2 Labor and Working Conditions; PS3 Resource Efficiency and Pollution Prevention; PS4 Community Health, Safety, and Security; PS5 Land Acquisition and Involuntary Resettlement; PS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources; and PS8 Cultural Heritage. The final determination of the PS triggered by the Project will be done by the end of the ESSD process.

Once the ESDD process is completed, an Environmental and Social Review Summary (“ESRS”) and an Environmental and Social Action Plan (“ESAP”) will be prepared and published on this website.

3. Additional Information

For questions about the Project contact please contact Igua Saneamento

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

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