

Environmental and Social Review Summary (“ESRS”) Mauá Water and Sanitation Fund (13484-01) - Brazil

Original language of the document: Portuguese

Issuance date: July 2021

- 1. Scope of Environmental and Social Review.** The environmental and social (E&S) review of the proposed transaction was carried out through a documentary assessment of internal processes regarding risk assessment and environmental and social requirements, human resources (HR) and people management procedures, meetings during four days with the leaders of different areas within the company and discussions about the potential clients and projects to be financed by the Fund. Mauá is a new client of the IDB Group, and within the framework of this transaction, it will improve its E&S and HR risks management practices in order to meet the requirements of IDB Invest’s Environmental and Social Sustainability Policy.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is categorized as IF-2 according to IDB Invest’s Environmental and Social Sustainability Policy. The underlying investments to be supported by this lien will be mainly focused on small and medium enterprises (SMEs) providing services to water and sanitation sector concessionaires, such as supply system leak controls or repairs and maintenance in water and sewage networks, among others. The potential risk is thus considered medium to low, with the possibility of limited and few adverse environmental or social risks or impacts, generally specific to a location, fully reversible, and which may be promptly approached through mitigation measures. This transaction will not finance category “A” subprojects, which correspond to funding operations for big companies or projects, or subprojects of sectors mentioned in IDB Invest’s Exclusion List.
- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this transaction are associated with Mauá’s capacity to identify and manage the E&S risks associated with its lending activities. Mauá will need to apply best practices upon identifying, mitigating, and managing any E&S issues related to the investments. Considering the focus of this investment, the environmental, social and health and safety (ESHS) risks and impacts related to the investments will be manageable applying measures which are widely used in the sector.

Mauá has a Risk Management Policy in place which establishes basic requirements for new loans and management of the existing portfolio. In addition, the Company has recently created an Environmental, Social and Governance (ESG) Department, which is being structured to enhance the management of E&S risks and to promote new investment products considering ESG criteria, so as to address market and other stakeholder demands, such as investors and the civil society as whole.

Mauá has 70 employees, including 23 women (32%) who account for 31% of leadership positions at the Company. Over the past few years, the Company has sought to improve its management practices related to gender diversity thus significantly increasing the number of female personnel, including as partners and in leading positions.

- 4. Mitigation Measures.** As part of the proposed transaction, Mauá will develop and implement an Environmental and Social Management System (ESMS) covering international best practices and appropriate to the Fund’s risk level. The ESMS will be developed and implemented with the support of an external consultant, will be aligned with Performance Standard (PS) 1 of the

International Finance Corporation (IFC)¹ and will require the application of local legislation and IDB Invest’s Exclusion List. Mauá will ensure that all investments made using IDB Invest’s resources are in compliance with IDB Invest’s Exclusion List and with any applicable local E&S laws. The ESMS must foresee and detail, at a minimum, the subproject categorization process, an E&S due diligence based on risks, oversight, and assessment, in addition to inclusion of environmental and social provisions and action plans, when applicable, as an integral part of the loan agreements.

In addition, Mauá will formalize and implement an HR Policy and related procedures, as required under IFC’s PS 2, which will cover issues related to recruiting, training, non-discrimination and equal opportunity, grievance mechanism, among others.

5. Environmental and Social Action Plan

| Item | Activity | Description | Deliverable | Compliance date |
|------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|
| 1 | Sustainability Policy | Develop and implement a corporate sustainability policy. | Updated policy and evidence of internal dissemination | 2 months after execution of the loan agreement |
| 2 | Environmental and Social Management System (ESMS) | Develop an ESMS, with the support of and specialized external consultant, which should be consistent with IDB Invest’s Sustainability Policy and IFC PS 1 requirements. The ESMS must foresee and detail, at a minimum, the subproject categorization process, an E&S due diligence based on risks, oversight, and assessment, in addition to inclusion of environmental and social provisions and action plans, when applicable, as an integral part of the loan agreements. | ESMS | 6 months after execution of the loan agreement |
| 3 | E&S training | Top Management and credit officials training on the ESMS and E&S risk management. | Certificate of conclusion of training activity | 8 months after execution of the loan agreement |
| 4 | HR Policy and related procedures | Develop and implement a HR Policy and related procedures consistent with IFC PS 2 requirements. | HR Policy and related procedures | 4 months after execution of the loan agreement |

6. **Contact Information** For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

¹ The Interpretation Note on Financial Intermediaries is available at https://www.ifc.org/ifc-external-corporate-site/sustainability-at-ifc/publications/publications_policy_interpretationnote-fi