Classification and Environmental and Social Strategy (ESS) São Miguel Paulista Nickel-Cobalt refinery (16137-01) - Brazil

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1. Project Scope and Objective and IDB Invest Participation

The Project involves the refurbishment and restart of the former São Miguel Paulista nickel and cobalt refinery in São Paulo, Brazil, which will process imported mixed hydroxide precipitate (MHP) and cobalt hydroxide through hydrometallurgical refining to produce high-purity Class 1 nickel and cobalt cathodes.

Following commissioning at the completion of the refurbishment, the refinery is expected to achieve an annual production capacity of approximately 12,000 metric tons of nickel metal and 2,000 metric tons of cobalt metal. The Project involves a brownfield refinery restart, and modernization, with the primary objective of supplying battery and specialty metals markets through the production of high-purity refined nickel metal (>99.9%) and cobalt metal (>99.6%) products.

The refinery is expected to receive approximately 6,000 metric tons per month of MHP and 450 metric tons per month of cobalt hydroxide feedstock, producing roughly 1,000 metric tons of nickel and 200 metric tons of cobalt per month. Once recommissioned, the facility is expected to be the only operating Class 1 electrolytic nickel and cobalt refinery in Latin America. The modernization of the facility is intended to restore the production of nickel and cobalt metals by using the existing infrastructure, with a focus on operational efficiency, environmental controls, and compliance with applicable regulatory requirements.

2. Classification and Environmental and Social Strategy

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the Project has been preliminarily classified as Category A due to the potential for significant environmental and social (E&S) risks and impacts associated with the refurbishment, recommissioning, and operation of an existing nickel and cobalt refinery. The facility is located within a densely populated urban setting, with surrounding developments linked to the area's progressive industrialization. Particular attention will be given to potential legacy environmental liabilities, industrial process safety, pollution prevention and control, and community health and safety risks.

Key E&S risks and impacts requiring detailed assessment include: i) legacy soil and groundwater contamination resulting from past refinery operations, including the adequacy of ongoing investigation, remediation and monitoring programs; ii) air emissions from hydrometallurgical refining, acid-handling, and utility processes, including potential impacts on ambient air quality and human health; iii) management of industrial wastewater, stormwater, effluent treatment and discharges; iv) handling, storage, transportation, and disposal of hazardous materials and wastes; v) occupational health and safety risks associated with refurbishment, commissioning, and operation of refining facilities, including exposure to hazardous substances and industrial process safety; vi) community health and safety impacts related to potential industrial accidents, emergency scenarios, and increased transportation of feedstocks and finished products; vii) E&S risks associated with sourcing and transportation of mixed hydroxide precipitate (MHP) and cobalt hydroxide feedstocks;

viii) potential cumulative impacts in a densely populated and industrialized urban setting; ix) labor and working conditions, including contractor management during refurbishment and operational ramp-up; and x) long-term management of legacy environmental conditions and closure-related liabilities associated with the historical operation of the facility.

The IFC Performance Standards ("PS") expected to be triggered by the Project include: 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; and v) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources, to the extent relevant to the Project's area of influence and potential off-site impacts. The applicability of other Performance Standards will be confirmed during the Environmental and Social Due Diligence ("ESDD") process.

The Environmental and Social Due Diligence ("ESDD") will include, among other activities: i) a review of the Environmental and Social Impact Assessment ("ESIA"), environmental permits, monitoring data, management plans, historical contamination assessments, remediation programs, policies and procedures, and other relevant Project documentation; ii) an assessment of the Client's E&S management system and procedures, including contractor management, process safety, emergency preparedness and response, and pollution prevention and control; iii) an assessment of the proposed refurbishment and recommissioning activities, including the integrity and safety of existing facilities and associated infrastructure; iv) interviews with the Client's management and technical personnel, environmental and social consultants, government authorities, and other relevant stakeholders; and v) a site visit to the refinery and associated facilities to verify existing conditions, assess management systems and operational practices, and evaluate key environmental and social risks and mitigation measures.

Upon completion of the ESDD process, IDB Invest will prepare and disclose an Environmental and Social Review Summary (ESRS), describing the Project, the findings of the due diligence process, and the environmental and social measures required to achieve compliance with the applicable requirements of IDB Invest's Environmental and Social Sustainability Policy. Where necessary, these measures will be incorporated into an Environmental and Social Action Plan (ESAP).

3. Additional Information

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