

Public Information Summary

Host Country	Brazil
Name of Borrower	Mombak Gestora de Recursos Ltda.
Project Description	DFC will make up to a 10-year senior, secured loan to the investment management company of the Amazon Reforestation Fund to support the large-scale planting of native species on degraded grasslands in Pará, Brazil and surrounding regions.
Proposed DFC Loan	Up to \$37,500,000
All-Source Funding Total	\$157,500,000
Policy Review	
Developmental Objectives	<p>Carbon emissions in the Amazon rainforest soared in 2019 and 2020 compared to the previous decade, reaching 0.52 billion tons in 2020, compared to an annual average of 0.24 billion tons from 2010-2018.² Researchers attributed this increase to a rise to deforestation, which hit a 12-year annual high in 2020 with 11,088 square kilometers of forest destroyed.³ Cattle production is the largest driver of deforestation in the Amazon, despite attempts at reform and pledges by leading beef producers to eliminate deforestation in the supply chain. Reforestation, along with avoided deforestation, is critical to avoiding the “Amazon tipping point,” a scenario in which most of the Amazon dies off and becomes savannah, greatly worsening climate change.</p> <p>The Project is expected to have a positive development impact in Brazil by sequestering approximately one million tons of CO₂e by 2028. Mombak intends to acquire large tracts of degraded pastureland and reforest the land with native, biodiverse tree species, generating high-quality, verified carbon removal credits. Rural landowners will also benefit from technical assistance for cattle intensification that aims to increase productivity and minimize carbon leakage from displaced cattle production on the land the Project reforests. The Project is expected to demonstrate the commercial viability of large-scale carbon removal projects and catalyze private investment in Brazil’s carbon removal market. Given the Project’s characteristics, it is categorized as Exceptionally Impactful per DFC’s Impact Quotient (“IQ”).</p>
Environment and Social Assessment	Screening: The Project has been reviewed against DFC’s 2020 Environmental and Social Policy and Procedures (ESPP) and has been determined to be categorically eligible. DFC screened the Project as Category B because the Project involves the permanent reforestation of

uninhabited degraded lands with native species and is expected to have low environmental and moderate social risks that are mostly site-specific and are readily addressed through mitigation measures. The key environmental and social risks associated with this project include: the need for a complete environmental and social management framework and site-specific assessments and management plans; third-party management, Emergency Preparedness and Response Plan, Occupational Health and Safety Plan, and Transportation Management Plan.

Applicable standards: DFC's environmental and social due diligence indicates the Project will have impacts that must be managed in a manner consistent with the following 2012 International Finance Corporation's (IFC) Performance Standards (PS):

- 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; and
- PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

The project involves willing seller-willing buyer acquisition and reforestation of privately-owned degraded lands. Mombak did not have the option of compulsory acquisition. There are active land markets in the areas they are acquiring land and Mombak represented that the sales were consistent with market values. Transactions were conducted through formal processes with the sellers' informed consent. Due diligence processes exclude lands that are disputed or adjacent to indigenous lands, public rural settlements, or ethnic group territories or that include significant informal land and resource use. Occurrences of cultural heritage are not expected; the Project is developing a chance finds procedure (see PS 1). Significant adverse impacts with respect to land acquisition and resettlement, indigenous peoples and cultural heritage are not anticipated. Therefore, PS 5, 7, and 8 are not triggered at this time.

In addition to the Performance Standards listed above, the IFC's Environmental, Health, and Safety (EHS) General Guidelines (2007) and EHS Guidelines for Forest Harvesting Operations (2007), are applicable to the Project.

Under DFC's ESPP, the Project is required to comply with applicable national laws and regulations related to environmental and social performance.

Environmental and Social Risks and Mitigation: The Project has a draft Environmental and Social Management System (ESMS) Framework including an Environmental and Social Policy Statement and a draft approach to identifying, assessing, managing and monitoring E&S risks and impacts throughout the lifecycle of their projects. Mombak is developing corporate level plans (e.g., Occupational Health and Safety Management, Supply Chain Management) and project-specific frameworks (e.g., Risk and Impact Identification and Assessment, Stakeholder Engagement) that will guide development of project-level management plans (e.g., site-specific Stakeholder Engagement Plans). The Project will be required to complete development of the ESMS Framework and to complete E&S assessments and management plans for each property or cluster of properties.

Mombak has a small professional/technical staff and is reliant on large, well established forestry operations contractors and nursery suppliers. Mombak has a Supplier Code of Conduct and will be required to develop a third-party management plan that will include procedures for monitoring and ensuring that third parties have an appropriate ESMS or follow Mombak's and that third parties are acting in compliance with the ESMS and associated policies and procedures, including the supplier and contractor code of conduct.

Mombak has an Emergency Preparedness and Response Plan that includes phone numbers, what to do for bodily injuries, heart attacks, and contact information for hospitals. Mombak's contractor Emflora also shared their Emergency Response Plan which has flowcharts outlining different potential emergency scenarios such as fires or explosions, spill/leaks of chemicals, and accidents with victims. Mombak will be required to enhance their Emergency Preparedness and Response Plan in order to fully comply with IFC PS 1.

Key occupational health and safety risks include physical, biological, and chemical hazards. Emflora has some procedures around Chemical Handling and Personal Protective Equipment. However, Mombak does not have their own Occupational Health and Safety Plan and will be required to develop and submit one for DFC's review and approval.

Mombak has an overarching approach for its Integrated Pest Management (IPM) activities. The IPM for leaf-cutting ants has three main pillars: 1) biological control due to conservation (prevention), 2) rational use of agrochemicals and application methods (combat), and 3) monitoring and process control. Workers walk the fields monitoring for ant hills, then treat them if found. Agrochemicals are applied as needed in line with the amount specified by the manufacturer.