

Under IDB Invest's Environmental and Social Sustainability Policy, the Project was classified as a Category B transaction as it presents low to medium risks and impacts, which may be mitigated using the measures available and feasible within the context of the proposed transaction. The main risks and impacts identified include: i) possibility of industrial and agricultural fires (the latter being related to third parties); ii) risk of occupational accidents during the harvest and at the industrial facilities; iii) loss of biodiversity related mainly to the supply chain and compliance with the Brazilian Forestry Code; iv) management of waste, effluents (mainly vinasse) and hazardous products; v) air emissions; and vi) risks of traffic related to sugarcane transportation.

The Environmental and Social Due Diligence (ESDD) process was carried out remotely owing to the travelling and social distancing restrictions imposed by COVID-19. It should be noted that Delta is an existing IDB Invest client and has satisfactorily met the Bank's environmental and social (E&S) requirements as proven during the supervision activities performed over the past two years. Thus, the ESDD process entailed teleconference interviews with the main Company representatives in September and October 2020 and reviewing the relevant environmental, social and health and safety information provided by the Client mainly including: i) consideration of the Environmental and Social Action Plan of the first financing; ii) functionality of the Company's E&S management system; iii) management of occupational health and safety (OHS) programs; iv) management of solid waste and effluents; v) air emissions (from bagasse cogeneration and dust from transportation activities); and vi) potential safety risks for the local communities owing to the traffic of vehicles used to transport sugar cane. In addition, other E&S aspects were addressed under Brazilian regulatory requirements and international best practices.

The Performance Standards (PS) applicable to the Project are: PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; and PS 4: Community Health, Safety, and Security.