

1. Overview of IIC's Scope of Review IIC visited the Company's operations in Suzanópolis, in Rio Paraná - Northwest of São Paulo state. These operations include approximately 94 Ha of own land, large-scale sugar cane outgrower operations through associated suppliers (23,270 Ha in 'parceria agrícola'), the ethanol plant, and sugar production. IIC's appraisal considered environmental, social, health, security and labor management plans for the Project and gaps if any between these plans and IIC requirements. Where necessary, corrective measures intended to close these gaps within a reasonable period of time, are summarized in the paragraphs that follow and in the agreed Environmental and Social Action Plan (ESAP). Through implementation of these measures and the ESAP, the Project is expected to be designed and operated in accordance with Performance Standards objectives, national regulations, WBG General Environmental Health and Safety (EHS) Guidelines, and the EHS Guidelines for Annual Crop Production and Sugar Manufacturing.

2. Environmental and Social Categorization and Rationale This investment is a Category B project in accordance with IIC's Policy on Environment and Social Sustainability. Based on information reviewed by IIC, the proposed Project will have limited adverse environmental and social (E&S) impacts that are few in number, site specific, largely reversible and readily addressed through mitigation measures, as outlined in the Environmental and Social Action Plan (ESAP) attached.

3. Environmental and Social Context Potentially significant E&S risks and/or impacts of this Project include: emissions to air, effluent management; labor and working conditions, Occupational Health and Safety issues; integrated pest and disease management; supplier E&S management following VDP and IIC policies; groundwater quality; and, ensure appropriate conduct of the force of security personnel engaged by the Company.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts VDP has a committed senior management team and staff, which is updating and adopting relevant E&S policies in line with its business needs. The IIC and VDP staff conducted a group self-assessment of the nine elements of the Corporate ESMS of the Company as defined in PS1. The rating scale is from 0 to 5 for each element. The average value of the assessment is 4.47, revealing a mid to high degree of ESMS maturity.

Policy, Environmental and Social Risks and Impacts Assessment and Management System. Policies: In summary, VDP has described its commitment to manage environmental and social risks and impacts of their current operations and expansion areas. The policy will be strengthened to (i) include a documented process for continuous review and revision of policies with senior management participation; (ii) update the policy on community health, safety and security, including a management system procedure to align with the Performance Standards.

Identification of Risks and Impacts: VDP has developed the PPRA (Programa de Prevenção de Riscos Ambientais) to assess and manage environmental and social risks and impacts as typically found in sugar cane operations. The Company is required to update its risk management process to (i) review its risk assessment whenever there is a change in processes, technology, activities or an expansion; (ii) improve identification of risks and impacts of its operations to communities on a periodic basis.

Management Programs: The Company will implement ESMS management procedures for a Code of Conduct for the security personnel at the Company facilities, and manage each identified risk in alignment with the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations.

Organizational Capacity and Competency: VDP has three staff in charge of environmental and social issues. To align with PS1 requirements, the Company will implement a procedure to measure the effectiveness of the formal training program to develop expertise to manage the ESMS.

Emergency Preparedness and Response: Emergency preparedness and response planning accounts for inside-the-fence response, and requires emergency planning to involve communities. Emergency drills are performed on regular basis. Training programs for Emergency Preparedness and Response shall be reviewed regularly. VDP will review its emergency response procedures whenever there is a change in processes, technology, activities or an expansion. As set forth in the ESAP, the Company will update its emergency preparedness and response procedures to address these gaps.

Ongoing Reporting to Affected Communities: As set forth in the ESAP, the Company will issue, on annual basis in their

website, a report meeting the Global Reporting Initiative's Guidelines. Stakeholder engagement: Baseline data on local stakeholders commenced with during the EIA scoping phase and included a consultation process. Although not having immediate neighbors, stakeholder engagement is another element in the ESMS system that needs to be strengthened by identifying and engaging with populations in the vicinity. And, the Company will enhance environmental and social communication with these external stakeholders consistent with the ESAP. External communication and Grievance Mechanism: Communities are not immediate neighbors, and the closest community is 7.5 Km away from the Company operations. Some impacts on neighbors may include traffic of heavy vehicles transporting sugar cane in local motorways. VDP currently does not have a systematic approach to external communications with communities or the general public which is managed on an ad-hoc basis. In addition, there is no formal mechanism to accept and act upon community grievances. The grievance mechanism will also include and address grievances related to security personnel. VDP will implement an external communication procedure and an effective community grievance mechanism to assess, address, document, and report back on grievances and concerns about the Company's environmental and social performance. The Company will enhance its existing website to keep external parties informed and afford them an instrument to use the external grievance mechanism to express concerns and complaints about Company operations.

4.2 Labor and Working Conditions Human Resources (HR) policy, working conditions, and terms of employment: As of June 2017, VDP do Parana as a group has 1303 workers. Nearly 8 percent of the workforce are women, a number of which hold positions ranking from senior management, supervisory roles, administration, technical, and labor. During zafra (cane harvest), 349 employees are hired as temporary workforce. The national law of Brazil governs all labor standards and addresses all aspects of employment relations, including unacceptable forms of work, occupational health and safety (OHS), freedom of association and working conditions. HR policies are also aligned with the International Labor Organization (ILO) and consistent with PS2 requirements. The key labor risks for the sector include occupational health and safety during farming and industrial operations. The HR function is part of the management team at all operations and has documented procedures for hiring, selection, age verification, disciplinary practices and termination, terms of employment (remuneration, benefits, working hours, overtime, rest days, breaks, training, and leave), and for combating discrimination and child labor. Working conditions and terms of employment are communicated to employees during induction. Each year the Ministry of Labor conducts planned and spot audits of working conditions. The Company seeks to recruit, maintain and motivate its workforce by offering a positive working environment. The Company provides medical services for initial handling of health emergencies. It also provides access to drinking water, personal care and sanitary facilities in all field (mobile facilities) and industrial operations. VDP runs and subsidizes two employee cafeterias through internationally known contractor catering services, where food safety concerns are upfront. The Company implements training sessions and has dedicated Training Rooms to provide employees with technical skills, safety knowledge and environmental management courses. The minimum wage is 312 USD. VDP has no migrant workers. Workers' Organization: National legislation provides the right to organize and bargain collectively. Employees at VDP have membership in three different Unions: Motoristas de Jales, Alcool de Aracatuba, and Trabalhadores Rurais de Perreira Barreto. HR management has held scheduled meetings with workers to discuss action items and emerging issues. There have been no major disputes or other actions and the Company views its relationship with its employees as harmonious. VDP has no grievances or lawsuits pending due to labor issues.

Non-Discrimination and Equal Opportunity: VDP provides equal employment opportunities for all employees and applicants without regard to race, color, religion, gender, national origin, age, disability or marital status. VDP employs eight individuals with different abilities. Grievance Mechanism (GM): Although implemented, the Company does not have a documented formalized ESMS procedure for grievance mechanism for worker complaints. The GM allows for anonymous reporting of complaints. As set forth in the ESAP, the Company will establish a procedure to ensure all types of worker grievances are captured, recorded, communicated, and monitored, with records

maintained on actions taken and feedback provided to employees on each grievance. Protecting the Workforce: The Group has implemented an age verification procedure in the hiring process and specifies the minimum hiring age to be 18 years. Occupational Health and Safety: VDP has established an OHS policy as part of the implementation of its ESMS. At all facilities, the Company provides and maintains proper infrastructure to achieve high standards of operational safety. Key equipment is inspected monthly by the Company and annually by government inspectors. Compliance certificates are issued at required intervals. There are written safety operational manuals and standard operating procedures based upon the risk mitigation hierarchy of engineering controls, administrative controls, and then Personal protective equipment (PPE) which were derived from a robust risk assessment process. PPE includes protection against snakebites, which is compulsory to all personnel in the field, including visitors. In the recent years, VDP applied a preventive culture in which adequate working conditions and wellbeing of people is considered a business objective. There have been no fatalities and fewer accidents. OHS training was instrumental that in 2016 there was a 31% reduction of accidents compared to 2015. The Lost Time Injury Frequency Rate (LIIFR) was 17.2 in 2016 as opposed to 24.9 in 2015. Fire Safety: VDP conducts an annual fire safety audit and has preventive measures in place to reduce the risk of fire. These include continuous housekeeping and regularly schedule of maintenance and checking of fire extinguishers. The Company facilities are equipped with adequate fire systems including detectors and alarms, fire extinguishers and fire hydrants which are maintained regularly. VDP has an internal fire brigade composed of 6 professional firefighters. Drills are performed regularly with participation of the local fire department. Workers Engaged by Third Parties: All HR principles at VDP are equally applicable to workers engaged by contractors and suppliers.

4.3 Resource Efficiency and Pollution Prevention

Resource Efficiency: VDP pays attention to resource efficiency through continuous improvement of their processes, selection of equipment and energy source, provide reduction targets, and awareness programs with employees to reduce consumption. The Company is active in water conservation and recycling. VDP has a mean yield of 89 t/ha. Cultivation of sugar cane in the lands where the Company operates is been a successful challenge given that this is an agricultural setting traditionally devoted to animal husbandry. No cane burning is done prior to harvest, which is performed in "green". The technology acquisition process of VDP includes an integrated pest/disease management program, where biological control stands as its main component. It has been implemented in all field operations to promote non-chemical control. The IPM system includes pest/disease mapping and scouting to monitor pest thresholds. Other components of the IPM system include physical control and several cultural practices throughout the cropping season. The R&D activity also includes variety trials, soil fertility and nutrient cycling management practices, weed control, production of disease-free planting materials, integrated crop growth management models and databases, mechanized planting and harvest (no manual cane cutting), management of energy, cogeneration and renewable energy, waste management. The Company has a range of local and international consultants to assist in their innovation processes. For crop nutrients, VDP uses common chemical fertilizers, together with the vinasse effluent, filter cake, juice clarification (cachaza or press mud) and boiler ash. Fertilizer is supplemented with vinasse effluent in 13,243 Ha of selected fields. Due to vinasse and other organic applications to soil, groundwater quality is monitored on regular basis through nine observation wells in Fazendas Vitoria and Bonito. The Company uses commonly available herbicides. It also uses ripening agents. All industrial operations and maintenance use best available industry practices, with computer-assisted operations, and supported by best available external engineering consulting services from Brazil and internationally.

Water Consumption: Water is guaranteed from the river Parana and wells. The Company has a water permit for industrial operations from ANA (National Water Authority) that allows a maximum withdrawal of 1000 M3/Hr from the Parana River. Due to process efficiencies obtained, current industrial water use is 395M3/Hr, with a total fresh water demand of 0.9 M3 per ton of raw material processed. VDP has installed a reverse osmosis water filter system to improve water quality and energy efficiency in their boilers, reducing blowdown frequency requirements. Water is recycled

through recover of condensates. The Company also has a license to abstract 503 M3/Hr of groundwater, regarded only as back up, not currently utilized. Water use by the Company does not affect availability of this resource by local human populations in surrounding areas. Water for sugar production is cooled in towers, with a flow capacity of 4500M3/Hour, equipped to cool water with an incoming temperature of 47C down to 26C. A cooling tower for vinasse operates to produce a fluid with 50C which is suitable for use in field irrigation. Precipitation in the area, as shown by meteorological data, is usually 1500 mm per annum and is the source of water for sugar cane fields. Cane growth is achieved without supplemental irrigation. The Company has recently installed a pilot of drip irrigation in 300 Ha, as part of the innovation process to improve yields. As per this pilot, VDP will understand the volume of groundwater that may be viable and sustainably needed, both environmentally and financially, to boost cane yields per Ha. Energy and Material Efficiency Projects: Currently, during zafra, VDP uses bagasse as biomass to cogenerate electricity. The Brazilian national grid provides electric power to all operations of the Company after the end of zafra. Total annual electricity consumption is 36,484,770 KWH. Cogeneration accounts for 36,191,492 KWH, which is 99% of the total annual energy used. All Company vehicles run only on ethanol produced internally. This arrangement makes VDP a high energy efficiency operation, using 23.65 KWH/ton of cane processed for alcohol and sugar. Pollution Prevention: The principal sources of emissions to the environment and the risk of environmental contamination include air emissions from combustion of bagasse to generate steam and electricity; process liquid effluents; and, solid wastes emanating from sugar processing. The main waste emanating from the distillery is vinasse (10.7 l/litre of alcohol produced). Air Emissions and Ambient Air Quality: VDP has recently conducted particulate matter stack emissions measurements for the operating boilers (PM10 = 171 mg/Nm3). The figure exceeds the WBG General EHS Guideline requirements of particulate matter limit of 150 mg/Nm3. Yet, VDP has also undertaken stack emissions particulate air distribution analysis using actual stack emissions data and local air-meteorological data to define isopleths of particulate distribution and concentration in downstream air sheds, and has compared projected levels to WBG General EHS Guidelines for ambient air concentrations. The distance to communities is significant (closest town is 7.5 Km away, others in a radio 10-15 Km apart) and the area around the industrial operations shows variable wind directions. Downwash effects and cavity impacts were included in the modeling. These impacts, according to the model output, do not extend more than 100 meters from the stack. Cavity concentrations reported demonstrate compliance with worker exposure guidelines. The modeling of stack gas air dispersion for the stacks shows that ambient air quality impacts from VDP will result in air quality that complies with the WBG ambient air and worker exposure guidelines, and revealed no significant at-risk populations in downwind receptors. The emissions will be adequately protective of public health and the environment. Greenhouse Gas Emissions: All air conditioning equipment at the Company premises uses ozone friendly R-410A1 gas. VDP will implement a Management Systems procedure for Emissions Inventory of Greenhouse Gases to be reported annually to IIC. Solid Waste Management: The main two types of waste (and their method of reuse, treatment and/or disposal) that are found at VDP's operations are: a) bagasse, cachaza or press mud, boiler ash, mud from cane wash, all used in fertigation; and, b) waste resulting from activities that support production, such as domestic waste, and recycling materials (paper, plastic, packing materials, wood, etc.). Final disposal and recycling is done through licensed third party paper or plastic contractors. Non recycling waste (some 50 ton/annum/zafra) is handled at the municipal landfill at Santa Fé do Sul. Used oil is sold for recycling to small oil refineries, such as LWART Refining Company. Wastewater Treatment: Industrial effluent emanating from sugar mill and distillery operations are kept in a lined pond placed inside the industrial facilities. The system has been designed to treat wastewater. Effluent quality is monitored twice a year to ensure compliance with national regulations for soil application. Results show effluents would be in compliance with WBG Guidelines for effluent discharge. Treated industrial effluent is finally sent to the agricultural fields to improve soil quality. Following the regulations of the Environmental Company of the State of Sao Paulo (CETESB), ground water is monitored to ensure that there is no

impact from this practice. Sanitary wastewater from all facilities (some 20 M3/day) is channeled to septic piths. This is followed by anaerobic and aerobic treatment, and after subsequent filtration it is routinely disposed following national regulations. In all cases, wastewater quality results are assessed by a third party laboratory and registered at INMETRO. As outlined in the ESAP, the Company will assess wastewater quality at the point of discharge of the lined ponds for sanitary wastewater and discharge to soil for the industrial effluent, and compare against regulatory standards for Brasil, applicable WBG General EHS guidelines for soil discharge, and report to IIC.

Hazardous Materials Management: All hazardous materials are handled in accordance with acceptable practices. Management, recycling and discarding of hazardous residues is done through a licensed third party contractor Mejan Ambiental. Pesticide containers are discarded by CORPLAST.

Pesticide Management: All pesticides and hazardous materials are stored in an structure with requirements and training for safety handling of materials and spills, and provision of eye wash stations. In all operations, the Company shall eliminate the use of WHO Class 1a/1b and Class2 chemical formulations. The Company will provide adequate PPE based upon MSDS and/or ICSCs for the materials used. VDP will provide documentary evidence of the training of employees handling pesticides specifically in the use of adequate Personal Protection Equipment (PPE) based upon MSDS and/or ICSCs, and will fully integrate pest management procedures into the ESMS procedures manual. Further, it will continuously monitor the cholinesterase levels in workers applying pesticides.

4.4 Community safety: VDP has implemented the “Linha Etica Ramal 9011” for communities to express their concerns. As part of the management of vinasse fertigation in selected fields, the Company implements a community program with neighboring cattle ranchers for the control of *Stomoxys calcitrans*, a fly that attacks livestock. The *Stomoxys* control program was developed by specialized consultants, which also monitor efficiency and effectiveness of the program in reducing fly populations. As set forth in the ESAP, the Company will further enhance procedures to ensure the cane transport minimizes community health and safety risks, including accident prevention measures, such as appropriate speed limits and safe driving practices.

Security Personnel: VDP has both internal security guards and external security contractors for the site security. The security personnel conduct routine ID check at the gates and security monitoring, a number of whom are armed. Operating procedures consistent with the ESAP will include: a) How security forces will be managed in accordance with IFC PS4 requirements as described in paragraph 12-14; b) Hiring of security personnel will include (i) screening potential workers for past criminal offenses or human rights abuses, (ii) training, Company security policy and code of conduct; c) A corporate level procedure will be prepared to address and manage each identified risk in alignment with the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations; d) As part of its stakeholder engagement policy, the Company will communicate and train on security arrangements to workers and affected communities; e) An incident response system involving security forces will be implemented to ensure that all incidents are registered and responded to using correct disciplinary actions where required.

Community Grievance Mechanism: as described under PS1, VDP will formalize and communicate a procedure for community grievances.

4.5 Land Acquisition and Involuntary Resettlement: The Company has no lawsuits pending due to land issues.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources: There are no natural and/or critical habitats in the vicinity. As per document review, VDP operations do not overlap with any natural reserve. The applicability of this PS is limited to the Company’s management of living natural resources in a sustainable manner, through the application of industry-specific good management practices. The Company has developed a 70 Ha “forest reserve” and to date has planted 117,000 native species of trees. Development and implementation of specific, approved conservation management activities, have contributed to the conservation and enhancement of wildlife that previously consisted of limited reptiles, birds, field rodents, and very scarce flora. An Environmental Conservation Plan was developed to include approved and required conservation management techniques, programs, and approved waste management activity. Currently, resident populations of birds have increased in number and species; and, sugar

cultivation has not affected the natural fauna. Vegetative cover has enriched the flora, trees and green areas that allow better oxygenation of the atmosphere and serve as nesting, resting and movement corridors for the birds and other fauna. As part of the conservation program, VDP carries out bird identification and census surveys. This measure allows identification of quantify the species present and aids significantly in maintenance of biological biodiversity, one of the major commitments of the Company's integrated management policy. 5. Local Access of Project Documentation -Mr. Alberto Otoy Gerente General, Vale do Parana Rod. Dos Barrageiros (SP-595) Km 84, Zona Rural, Suzanopolis - SP Tel. +55 (18) 3706-9010 Email: Alberto.otoya@valedoparana.com.br -MS Genner Fabris Florencio Supervisora de Normatização, Vale do Parana Rod. Dos Barrageiros (SP-595) Km 84, Zona Rural, Suzanopolis - SP Tel. +55 (18) 3706-9010 Email:gflorencio@valedoparana.com.br