

This project has been classified as Category B according to IDB Invest's Environmental and Social Sustainability Policy. The risks and impacts are site specific, moderate in magnitude, and may be addressed through existing mitigation measures that are simple to implement. It should be emphasized that the principal purpose of the project is to improve the environmental and social conditions in the Metropolitan Region of Recife via the collection and treatment of sewage. Therefore, this investment has important positive externalities. Among the impacts associated with this type of operation there are aspects of workers health and safety and adequacy of working conditions, community safety in the surrounding areas of the construction of the sewage collection pipeline and around the sewage treatment plants (or sanitary wastewater treatment plants), environmental aspects of the treatment and discharge of liquid and solid effluents, and land acquisition and involuntary resettlement in areas where the sewage treatment plants or pumping stations are to be installed. The following International Finance Corporation (IFC) Performance Standards apply to this project: PS 1 - Assessment and Management of Environmental and Social Impacts and Issues; PS 2 - Labor and Working Conditions; PS 3 Resource Efficiency and Pollution Prevention; PS 4 - Community Health, Safety, and Security; PS 5 - Land Acquisition and Involuntary Resettlement; and PS 8 - Cultural Heritage. The scope of this analysis focuses on the operations of Cycle I and II of the improvement and expansion of the sanitation network in the Metropolitan Region of Recife (State of Pernambuco, Brazil). The company responsible for these operations is BRK Ambiental Região Metropolitana de Recife/Goiana SPE S.A. ("RMR" or "Client"), which is controlled by the company BRK Ambiental Participações S.A. Under the Public-Private Partnership (PPP) signed by Companhia Pernambucana de Saneamento (COMPESA), a public institution, and RMR, sanitation activities were limited to sewage collection and treatment. The partnership did not include services associated with access to potable water, urban cleanup, solid waste management, and stormwater drainage. The analysis involved extensive checking of documents and a field visit. Telephone interviews and in-person meetings were held with the environment, health and safety, personnel management, community relationships, integrity (compliance), administrative management, property security, laboratory analyses, PPP contract management, and the Operations Control Center (OCC) teams. Field visits were made on October 1st to 5th 2018, during which IDB Invest Social and Environmental Officer visited RMR administrative facilities; Janga, Peixinhos and Roda de Fogo sanitary wastewater treatment plants; the OCC and the construction site in Jardim São Paulo. During the visit, a meeting was held with the environmental agency that licensed the project - the State Environment Agency of Recife (CPRH)—and chats were held with residents of Jardim São Paulo close to the construction site. The sanitation plan adopted by RMR includes the phases of: a) sewage collection, b) connection to pipeline sanitation network, c) treatment and d) disposal - all of them in the urban consolidated area of Recife. During the collection phase, the effluent catchment system (collector system) will be either installed or restored, with placement (or repair) of underground piping network. Effluent is conveyed via the collection network to the load towers (LT) or to pumping stations that take the effluent to the treatment plants. After physical and chemical treatment, the effluent is discharged into bodies of water located in the vicinity of the treatment plant. The complex consisting of treatment plants, pumping stations and, possibly, load towers forms the Sanitation System (SS). As described above under "Project Scope," Cycle I of the operations consisted on the restoration of the collector network and treatment system already installed by COMPESA, as well as the construction of three new SSs (São Lourenço da Mata, Jardim São Paulo, and the first part of Prazeres). Following improvements to the network, the population served increased from 1.05 to 1.3 million people. RMR obtained from CPRH an environmental operating license for the existing treatment network, valid until December 2018. This license is now being renewed. For construction of the two Sanitation Systems - SS Jardim São Paulo, SS São Lourenço da Mata, and the beginning of works on SS Prazeres—environmental impact studies were submitted to the CPRH (together with a Vicinity Impact Study). Installation Licenses (LIs) were obtained for the three SSs. Cycle II calls for an expansion of more than 440 kms of sewage collection network (both installation and repair) and construction of three new Sanitation Systems (Cabo de São Agostinho,

Goiana I and Goiana 5), in addition to final completion of the Prazeres SS. New environmental impact studies will be submitted to the CPRH in order to obtain the necessary environmental licenses.