

Environmental Examination Report

(1) Project Name

Construction of new pellet feed plant

(2) Project Site

Federative Republic of Brazil, Minas Gerais

(3) Project Outline

Construction of new pellet feed plant within the current operational area

(4) Category Classification

Category B

(5) Reason for Classification

While the project has sensitive characteristics and is located in or around sensitive areas, its adverse impacts on the environment are not likely to be significant.

(6) Environmental Permits and Approvals

Environmental Impact Statements was prepared in compliance with Brazilian laws and regulations and approved by Environmental Policy Council in May 2020.

(7) Pollution Mitigation Measures

It is confirmed that air quality, water quality, waste, soil pollution, noise, vibration and subsidence are properly managed.

(8) Natural Environment

Appropriate measures are taken to avoid impacts to the natural environment.

(9) Social Environment

The project does not involve involuntary resettlement. Appropriate measures are taken for the protection of the social environment.

(1 0) International Standard

IFC Performance Standards and the World Bank Group
Environmental, Health and Safety Guidelines

(1 1) Others, Monitoring

JBIC will, if necessary, request Borrower to report the status of the
environmental and social considerations on this project.

Questions

Q1. Please provide the address of the project site.

Address of the project site: Estrada Casa de Pedra s/nº, Zona Rural. CEP 36.410-970 - CX Postal 101 - Congonhas, MG, Brasil.

Q2. Please provide brief explanation of the project.

O Projeto em questão é uma planta de beneficiamento de minério de ferro de alta sílica (42% de Fe e 37% SiO₂), com capacidade de produção anual de 15 milhões de toneladas de pellet feed. Através da implantação dessa planta, a CSN Mineração terá tecnologia que permitirá o aproveitamento de minérios mais pobres, tendo como principais ganhos o aumento de vida útil da mina, a liberação de hematita para beneficiamento na Planta Central existente.

The project is to implement an additional iron ore beneficiation plant within the current operational area. The production capacity will be 15Mtpa of Pellet Feed. The plant will enable the company to extract and use lower grade raw materials (high SiO₂ Itabirite Ore). The company will be able to beneficiate poorer part of raw material through this Itabirite plant, and high quality hematite be liberated and fed to the existing Central Plant. Such operation will bring longer life of mine to the company.

Q3. Will JBIC loan be applied to a new project or an executing project? In case of an executing project, please inform of strong claims by stakeholders such as local residents, as well as improvement guidance or cessation orders for construction work / operations, from environmental authorities.

- | | | |
|---|---|---|
| <input type="checkbox"/> New Project | <input checked="" type="checkbox"/> Executing Project (with Claim etc.) |) |
| <input type="checkbox"/> Executing Project (without Claim etc.) | <input type="checkbox"/> Others (Please specify | |

The Claims are not against a new project, Itabirite Plant 1, but trifle matters related to an executing project. (e.g. dusts and noise from mining operation) We have established a permanent communication channel to handle the Claims and have responded appropriately, so there has been no opposition campaign to prevent us from doing our business.

Q4. In case of this project, is it necessary to execute Environmental and Social Impact Assessment (ESIA) based on the laws or regulations of the country where the project is to be implemented? If necessary, please inform the progress of ESIA.

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> Required (completed) | <input type="checkbox"/> Required (under execution or under planning) |) |
| <input type="checkbox"/> Not Required | <input type="checkbox"/> Others (Please specify | |

Q5. In case that ESIA is already completed, please inform whether ESIA report is already approved based on the environmental and social assessment system of the country where the project is to be implemented or not. If ESIA report is already approved, please provide the date and name of authorities of the approval.

- | | | |
|---|--|---|
| <input type="checkbox"/> Approved (without condition) | <input checked="" type="checkbox"/> Approved (conditional) |) |
| <input type="checkbox"/> Under approval process | <input type="checkbox"/> Others (Please specify | |

Date of Approval : May 08, 2020 (10Mtpa) and Apr 29, 2022 (+5Mtpa)

Name of Authorities : COPAM – Conselho Estadual de Política Ambiental (The State Council of Environmental Policy) and SUPPRI – Superintendência de Projetos Prioritários do Estado de Minas Gerais (Superintendent of Priority Projects of the State of Minas Gerais)

The company has obtained Installation License (LI) for 10Mtpa on May 08, 2020, and the additional 5Mtpa to be 15Mtpa was approved on Apr 29, 2022. The process for the additional 5Mtpa (LAS : Simplified Environmental

Licensing) doesn't require new ESIA as the project area doesn't change/expand.

Q6. If environmental and social permit(s) other than ESIA is required, please provide the name of required permit(s). Have you obtained required permit(s)?

- Obtained Required, but not obtained yet
 Not required Others (Please specify)

Nome(s) da(s) permissão(ões) necessária(s): Vegetal Suppression

Q7. Will the loan be used for the undertaking that cannot specify the project at this stage (e.g. export or lease of machinery that has no relation with specific project, or Two Step Loan that cannot specify the project at the time of loan agreement)?

(Yes / No)

If you answered "Yes", it is not necessary to reply to the following questions.
If you answered "No", please reply to the following questions.

Q8. Are there any environmentally sensitive area(s) shown below in and around project site(s)?

(Yes / No)

If you answered "Yes", please select applicable items by marking, and reply to the following questions.
If you answered "No", please reply to the questions 9 and after.

- (1) National parks, nationally-designated protected areas (coastal areas, wetlands, areas for ethnic minorities or indigenous people, and cultural heritage, etc. designated by national governments)
 (2) Forests with important ecological value (including primary forests and natural forests in tropical areas)
 (3) Habitats with important ecological value (including coral reefs, mangrove, wetland and tidal flats.)
 (4) Habitats of rare species requiring protection under domestic legislation, international treaties, etc.
 (5) Areas in danger of large-scale salt accumulation or soil erosion
 (6) Areas with a remarkable tendency towards desertification
 (7) Areas with unique archaeological, historical or cultural value
 (8) Areas inhabited by ethnic minorities, indigenous peoples or nomadic peoples with traditional ways of life(including areas which are used for cultural or spiritual purposes) and other areas with special social value

Note environmentally sensitive area under this question is not in a new project site, but only around. Building and operation of Itabirite Plant 1 will not have an adverse effect around the environment.

Q9. Does the project involve following characteristics?

(Yes / No)

If you answered "Yes", please describe the scale of applicable characteristics, and reply to the questions 10 and after.

If you answered "No", please reply to the questions 11 and after.

- (1) Involuntary resettlement and/or loss of means of livelihood
(Number of affected people:)
 (2) Pumping of groundwater (Scale: m³/year) 2,500,000 m³/year.

- (3) Land reclamation, development and/or clearing 27.09Ha
- (4) Deforestation 7.9Ha

Note the numbers specified above show necessary scales to develop and operate the Itabirite Plant 1. Existing operation is not applicable there.

Q10. Under the environmental and social impact assessment system of the country where the project is to be implemented, do the applicable characteristics from (1) – (4) of the questions 9 above and their scale serve as basis for executing an ESIA for the project?

- They do They do not
- Others (Please specify _____)

Q11 May the project involve significant social impacts?

(Yes / No)

If you answered “Yes”, please describe the outline of the impacts, and reply to the questions 12 and after.
If you answered “No”, please reply to the questions 12 and after.

- The likelihood of severe project-related human rights impacts (_____)
- Others (_____)

Q12. Will JBIC share in the project be equal or less than 5% of the total project cost, or the total amount of JBIC loan equal or less than SDR 10 million? (In the case of additional support for a past project, this shall be the accumulated total amount)

(Yes / No)

If you answered “Yes”, it is not necessary to reply to the following questions.
If you answered “No”, please reply to the questions 13 and after.

Q13. Does the project belong to either of the sectors that impact on the environment and society is deemed immaterial or is not anticipated under normal conditions (e.g. maintenance of the existing facilities, non-expansory renovation project, and acquisition of rights and interests without additional capital investment)?

(Yes / No)

If you answered “Yes”, it is not necessary to reply to the following questions.
If you answered “No”, please reply to the questions 14 and after.

Q14. Does the project belong to the following sectors?

(Yes / No)

If you answered “Yes”, please specify the sector by marking, and reply to the questions 15 and after.
If you answered “No”, it is not necessary to reply to the following questions.

- (1) Mining
- (2) Oil and natural gas development
- (3) Pipelines
- (4) Iron and steel (projects that include large furnaces)
- (5) Non-ferrous metals smelting and refining

- (6) Petrochemicals (manufacture of raw materials; including complexes)
- (7) Petroleum refining
- (8) Oil, gas and chemical terminals
- (9) Paper and pulp
- (10) Cement plants (including a greenfield quarry)
- (11) Manufacture and transport of toxic or poisonous substances regulated by international treaties, etc.
- (12) Thermal power
- (13) Nuclear power
- (14) Hydropower, dams and reservoirs
- (15) Power transmission and distribution lines involving large-scale involuntary resettlement, large-scale logging or submarine electrical cables
- (16) Roads, railways and bridges
- (17) Airports
- (18) Ports and harbors
- (19) Sewage and wastewater treatment having sensitive characteristics or located in sensitive areas or their vicinity
- (20) Waste management and disposal
- (21) Agriculture involving large-scale land-clearing or irrigation
- (22) Forestry
- (23) Tourism (construction of hotels, etc.)

Q15. Please provide information on the scale of the project (project area, area of plants and buildings, production capacity, amounts of power generation, etc.) Further, please explain whether an execution of ESIA is required on account of the large scale of the project in the country where the project is implemented.